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Chief Executive Officer

November 9, 2022

To: All Department Heads

From: Fesia A. Davenport
Chief Executive Officer

DEPARTMENTAL BUDGET INSTRUCTIONS

The Budget Year (BY) 2023-24 Departmental Budget Instructions (DBI) are now available online on the County of Los Angeles (County) Intranet at https://my.lacounty.gov/department-budget-instructions/ to assist you in preparing your budget submission. Please submit your departmental budget requests to our office as indicated in Exhibit A, which provides for staggered submissions from January 3, 2023 through January 18, 2023.

As we begin preparation of our BY 2023-24 financial plan, economic uncertainty and slowing growth of locally generated revenues continue to create a strain on the County budget. We must continue to balance the demands for new service and unavoidable cost increases within limited resources. We will again be challenged by the demand for County services that will exceed the available financing sources.

Budget Submissions

Only the most critical net County cost (NCC) requests should be submitted for consideration at this time and those requests should be brought to the attention of your Chief Executive Office (CEO) budget manager and analyst as soon as possible. Departments should continue to observe the Board's long-standing commitment to fiscal prudence and conservative budget practices. Departments should first identify cost offsets in other areas before requesting additional NCC.

Pursuant to California Government Code Section 29040, each budget submission should include a base budget and an official budget request reflecting critical and unmet needs. Please submit detailed backup and justification for critical needs with your budget submission. Departments should also be prepared to submit this information for their remaining unmet needs upon request.

For departments to develop their base budgets, the BY 2023-24 target NCC amounts, with preliminary adjustments, are scheduled to be provided to departments through their CEO budget analyst by the end of this week.

Departments should ensure that critical requests for staff or additional NCC include thorough explanations and justifications. Otherwise, consideration of these requests may be delayed to a later budget phase or denied.

Board-Directed Priorities

Departments will again be required to identify budget requests that align with a specific Board priority. This will help us identify appropriate funding uses that support each of these efforts. Board-directed priorities include: (1) Alliance for Health Integration; (2) Anti-Racism, Diversity and Inclusion; (3) Care First, Jail Last; (4) Child Protection; (5) Environmental Health; (6) Homeless Initiative; (7) Immigration; (8) Poverty Alleviation; and (9) Sustainability.

Budgeting for Equity

One critical strategy to support more equitable outcomes for the communities we serve is budgeting for equity. As the County moves towards a more equitable budget process, the first step is to request departments to begin to incorporate equity in budgeting by evaluating program design through an equity lens. Departments should review the new Budgeting for Equity section in the DBI for more information.

The ***Budget Insider*** provides a summary on updates to the DBI, as well as emphasizes important budget topics.

Your CEO budget analyst is available to work with your staff to resolve any questions or issues you may have. Please ensure your staff works closely with your CEO budget, classification/compensation, capital programs, and Chief Information Office analysts as early in the process as possible to allow sufficient time to collectively address issues and meet budget calendar deadlines.

Thank you for your cooperation.

FAD:JMN:MM:MRM:YR:VT:cg

c: Each Supervisor

THE BUDGET INSIDER

BUDGET YEAR 2023-24 DEPARTMENTAL BUDGET INSTRUCTIONS CHANGES/HIGHLIGHTS

SUBMISSION DEADLINES AND REQUIREMENTS

1. Departmental budget requests are to be submitted from January 3, 2023 through January 18, 2023. Please see Exhibit A for departmental due dates. Special Revenue Funds/Special Districts (SFSDs) budget requests are due one week prior to the departmental due date. Please plan accordingly to ensure your budget is submitted on time with all supporting documentation and all required/requested forms and exhibits.

2. Departments must email the complete budget request package as a single PDF file to their Chief Executive Office (CEO) budget analyst by 4:00 PM on the assigned due date. Please also email copies of all electronic files in their appropriate file types (i.e., .docx, .xlsx, .vsdx, or .pdf).

3. Departments are required to develop their budget submissions using the electronic files as instructed. Any document not consistent with the set guidelines will be returned to departments for correction and resubmission. Refer to page 6 of the Departmental Budget Instructions (DBI) for minimum required documents. Please be aware your CEO budget analyst may request additional supporting documentation as needed for appropriate analysis of your budget request.

4. All budget requests must reflect a single, cohesive submission, include all necessary supporting documentation (working papers, justifications, duty statements, organizational charts, etc.), and are to be submitted under a cover memo and must be signed by the Department Head by the departmental due date. Submitting this information after the due date or revising the budget request after submission will likely cause the request to be deferred to a subsequent budget phase or denied.

5. As always, departments are reminded to ensure that staff works closely with their CEO budget, classification/compensation, capital programs, and Chief Information Office (CIO) analysts as early in the process as possible to allow sufficient time to collectively address issues and meet the budget calendar deadlines. Budget requests that do not provide adequate explanations or justifications will likely be deferred to a later budget phase, which may delay the timely allocation of new positions or denied.

6. Budget Prep and the Electronic Budget Request (eBR) system are scheduled to open today for departmental use.

MAJOR CHANGES

7. Departments are required to identify if budget requests are a result of Board motions by selecting the Board office(s) that brought forth the motion under the new Board Motion menu in eBR.

8. On July 21, 2020, the Board approved a motion that created the Board-directed priority known as the Anti-Racism, Diversity, and Inclusion (ARDI) Initiative and established an anti-racist policy agenda. One critical strategy to support more equitable outcomes for the communities we serve is budgeting for equity. Please review the new Budgeting for Equity section in the DBI for more information.

9. Departments will again be required to identify budget requests that align with a specific Board priority. This will help us identify appropriate funding uses that support each of these efforts. Board-directed priorities include: (1) Alliance for Health Integration (AHI); (2) Anti-Racism, Diversity and Inclusion (ARDI); (3) Care First, Jail Last; (4) Child Protection; (5) Environmental Health; (6) Homeless Initiative; (7) Immigration; (8) Poverty Alleviation; and (9) Sustainability.

10. Departments shall budget at the function level rather than the function-class level for their Department Program Summary. This allows the County to account for Board-directed priorities in our budget system.

11. Departments will no longer be required to submit information in the County's retired Business Automation Plan (BAP) application. The CIO will meet with each department to review anticipated Budget Year (BY) 2023-24 IT budget requests to provide CEO budget analysts an early review of IT related items to facilitate budget decisions.

12. The Alternatives to Incarceration (ATI) Sequential Intercept Model and its related requirements and exhibits have been removed from the Recommended Budget process.

<u>HIGHLIGHTS</u>

13. Pursuant to State law (County Budget Act Section 29064), for an item to qualify as a 3-Vote matter during budget deliberations, it must be included on the permanent record developed during public hearings (e.g., Recommended Budget, the Requested Budget, and/or Critical/Unmet Needs). Therefore, please ensure all budget requests are submitted as part of your official budget request and included in the Critical Needs/Unmet Needs section of the Message Copy. If not, the budget request must be submitted in writing and filed with the Executive Officer of the Board during Public Hearing in May to be considered in the Final Changes Budget.

14. The 2016-2021 County Strategic Plan extends through 2022. This plan can be found online at http://www.lacounty.gov/strategic-plan-and-goals. Departments should ensure any references to the County's Strategic Plan included in their budget submission reflect these goals.

15. Please review the attached Exhibit UU "Budget Requests Fundamentals – Strategic Framework" for helpful tips as well as important keys to a successful budget request.

16. Departments shall report appropriation at the object class level for services and supplies, other charges, and other financing uses. This also includes all SFSDs.

17. The Chief Sustainability Officer produces an annual sustainability priorities report that provides a preliminary list of those programs and/or actions that are the highest priority for consideration in the Recommended Budget and subject to funding availability. This list is attached as Exhibit H. Any programs that are not approved on the preliminary list will be classified as an unmet need.

18. Departments should evaluate all revenue categories and take necessary action to reduce budget revenue and corresponding appropriation where a revenue deficit has been experienced for more than two budget cycles and is not reasonably achievable in the upcoming budget year. Exhibit HH – Statement of Revenue from Charges for Services and Various Fees has been updated to capture information related to this issue for better analysis and evaluation.

19. Please do not budget more than $5.0 million under the following revenue source codes:

    - 8810 – State-Special Grants
    - 8831 – State-Other
    - 9461 – Other Charges for Services
    - 9001 – Federal-Other
    - 9031 – Federal Grant

    If your department expects to receive more than $5.0 million in revenue to be posted to any of these revenue source codes, please work with the Auditor-Controller's Accounting Division early in the budget process to establish a more specific revenue source code for the specified revenue.

20. Preliminary employee benefit information is provided in the budget instructions and will be updated as new information becomes available throughout the budget process. Below is a summary of the major changes:
    - County retirement contribution rates are expected to decrease slightly due to better than expected investment returns in Los Angeles County Employees Retirement Association's investment portfolio over the past five years. We will provide updated retirement budget information once LACERA's Board approves the final retirement rates.
    - LACERA estimates that retiree health insurance premiums are expected to increase by 8.5 percent in BY 2023-24.
    - Options and Choices cafeteria plans County contribution rates will increase by 4.0% in 2023 and 2.5% in 2024.

21. Carryover requests should only include one-time unspent funding from an existing program/project that will continue into the new budget year and must be reflected as a current year savings at the end of the year. Other requests for use of one-time funding are Departmental Additional Fund Balance (departmental savings requested for a new program/project) and Additional Fund Balance (request of General Fund balance for a new or existing program/project). All funding requests must be included in the department's budget request to be considered.

22. Official budget request packages must be categorized as either Critical Needs or Unmet Needs and will require departments to answer three additional questions in eBR.
    - Critical Needs: Requests that are critical to the department's mission and impact core services. Also included are requirements based on legal mandates, new legislation, litigation or settlement agreements, accreditation or certification, Board motion or initiative, or audit/consultant/Grand Jury/media findings.
        - Please submit detailed backup and justification for critical needs with your budget submission.
    - Unmet Needs: All other funding requests that do not meet the criteria above.

23. Departments are required to develop a departmental budget walkthrough. Instructions are available in the Recommended Budget – Message Copy section, and a general template is provided as Exhibit D. Your CEO budget analyst may require department-specific components to the general template.

24. Exhibit DD is required to reflect all Operating Transfers In and Transfers Out. Departments must coordinate with each other to ensure that Operating Transfers In match Operating Transfers Out. This includes SFSDs.

25. Standard Narratives are included as Exhibit TT. Departments should refer to this listing and use this language, as applicable, to ensure consistency in the countywide budget message to address budget changes.

26. Assembly Bill 109 Public Safety Realignment instructions are included in the Recommended Budget to determine the department's baseline target allocation.

27. SFSDs mission statements will continue to appear on their respective Budget Prep reports in lieu of appearing in the beginning section of Special Revenue Funds section in Volume II.

28. SFSDs are not required to cancel/decrease/reverse the entire prior year budget amount for obligated fund balance—only what is needed for the budget year.

29. Departments should continue to observe the Board's long-standing commitment to fiscal prudence and conservative budget practices. Departments should carefully review the CEO's September 20, 2017 report to the Board entitled "Strengthening Fiscal Prudence" and Board Policy 4.030 – Budget Policies and Priorities to ensure these efforts are reflected in budget requests. Departments should first identify cost offsets in other areas before requesting additional NCC.

30. Departments should continue to review loaned/borrowed positions that exceed one year and submit permanent position transfer requests or return the position to its original unit. We may close borrowed positions that exceed one year effective June 30, 2023.

31. Departments must thoroughly review vacant positions and delete those that have been vacant for more than 12 months.

32. Before requesting new positions, departments should (1) utilize vacant positions, (2) delete vacant positions to offset new position requests, and/or (3) adjust salary savings to a more appropriate level.

33. Departments should not incorporate any funding or expenditure plan changes related to Measure H and Care First and Community Investment (CFCI) in their Recommended Budget submission. Please maintain funding at the same level as BY 2022-23. We will provide instructions for these programs in a subsequent budget phase.

DEPARTMENTAL BUDGET INSTRUCTIONS

2023-24 Recommended Budget

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Budget Submission

SUBMISSION DUE DATES AND TENTATIVE BUDGET TIME FRAMES

Departmental budget request packages are due to the Chief Executive Office (CEO) as indicated on Exhibit A. The dates range from January 3, 2023 to January 18, 2023.

Special Revenue Funds/Special Districts budget request packages are due to the CEO one week prior to the Department's budget request.

Departments should *immediately* contact their CEO budget analyst if they are unable to adhere to this schedule, and this office will work with departments on a case-by-case basis.

Exhibit B provides a budget process flowchart identifying key budget events.

BUDGET DOCUMENT SUBMISSION REQUIREMENTS

All budget requests must reflect a single, cohesive submission and include all necessary supporting documentation, and are to be submitted under a cover memo signed by the Department Head.

By 4:00pm on the departmental due date, please submit by email to your CEO budget analyst:

- The complete budget request as a single PDF file, and
- A copy of all electronic files in their appropriate file types (.docx, .xlsx, .vsd, .pdf, etc.).

REQUIRED FORMS FOR SUBMISSION

The following forms are the minimum required to be submitted along with the Budget Request. Your CEO budget analyst may request additional supporting documentation as needed for appropriate analysis of your Budget Request.

Title of Document	Exhibit
Budget Summary	See eCAPS BP instructions for appropriate report
Recommended Budget - Message Copy	C
Departmental Detail Summary	See eCAPS BP instructions for appropriate report
Budget Walkthrough	D
eBR Form	E
Overtime Analysis	F-1
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Budget Summary for Other Budgetary Funds	See eCAPS BP instructions for appropriate report
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Capital Projects/Deferred Maintenance eBR Form *(if applicable)*	NN

Recommended Budget - Message Copy

The Recommended Budget - Message Copy will be developed using Microsoft Word (Exhibit C). Also, electronic files of the required budget formats discussed in these instructions can also be downloaded from the County Intranet or your CEO budget analyst can provide them to you.

Departments are required to use the electronic files for the schedules that are included in the published Recommended Budget book. PLEASE USE THE FILES PROVIDED IN THIS YEAR'S DISTRIBUTION AND DO NOT CHANGE THE FORMAT (i.e., margins, column widths, row heights, etc.) of these electronic files. Any files not adhering to the required format will be returned to the department for correction and resubmission.

BUDGET SUMMARY

Departments are to submit their budget summaries reflecting the Base Request and the Official Request, which includes critical needs and unmet needs. Please refer to the eCAPS Budget Prep (BP) instructions for applicable report.

Pursuant to State law (County Budget Act Section 29064), for an item to quality as a 3-vote matter during budget deliberations, it must be included on the permanent record developed during public hearings (e.g., Recommended Budget, the Requested Budget, and/or Critical/Unmet Needs). Therefore, please ensure all budget requests are submitted as part of the Recommended Budget. If not, the budget request must be submitted in writing and filed with the Executive Officer of the Board during public hearing to be considered in the Final Changes Budget.

Base Budget Request

New target net County cost (NCC) figures for each department are derived by the department's BY 2022-23 Final Adopted Budget NCC plus the NCC portion for Board-approved increases and other salary adjustments for General Fund departments less one-time funding.

The BY 2022-23 Final Adopted Budget includes the following:

- Board Adopted Budget approved on June 27, 2022;
- Auditor-Controller's Supplemental Resolution Actions; and
- Board-approved changes on October 4, 2022.

Official Budget Request

The Official Budget Request will be included in the printed Recommended Budget book that is released to the public, as required by Section 29040 of the California Government Code. The appropriate COGNOS report should be generated and submitted with your department's budget submission.

To finalize the Recommended Budget, the CEO will incorporate the budget summary information, based on the amounts recommended by the CEO.

BUDGET MESSAGE

The Budget Message should **briefly describe** the major changes, overall impact on operations or services, and other major issues.

CRITICAL/STRATEGIC PLANNING INITIATIVES

This section should briefly highlight activities and budget requests that support implementation of 2016-2021 County Strategic Plan Goals and Strategies adopted by the Board, which extends through 2022. The plan can be found at http://www.lacounty.gov/strategic-plan-and-goals. For the Recommended Budget year, budget requests should focus on activities that advance the County's Strategic Plan. Activities initiated in prior years that will continue may also be mentioned. **Since this section is an executive level summary, it should be limited to a few key bullet points.**

CHANGES FROM 2022-23 BUDGET

A detailed narrative must be provided for each change to the budget, which includes a brief, concise description of the change; the reason for the change; the impact of the change on services, operations, specific programs or affected locations; and some perspective on the size of the change (i.e., percent of the total program or service). The amount of detail should be commensurate with the relative size or importance of the change. Changes should be listed in priority order, with the most significant change listed first.

Each change must be presented separately, with the exception of ministerial changes that do not affect services or operations. Departments can combine ministerial changes into a single change but should be prepared to provide detailed support for each change when requested by the CEO budget analyst.

Budget changes are identified under the following sections:

1. **Efficiencies**: Includes efficiency initiatives that result in ongoing savings.

2. **Collaborative Programs**: Includes changes that involve collaboration with other County departments.

3. **New/Expanded Programs**: Includes changes for new programs or expansion of existing programs that do not meet any of the previous subsections' criteria.

4. **Critical Issues**: Includes changes that are critical in nature and are federally or State mandated.

5. **Curtailments**: Includes cuts as a result of any potential County shortfall.

6. **Other Changes**: Includes changes that do not have an operational impact, such as: across-the-board salaries and employee benefit changes; accounting adjustments; ministerial appropriation, intrafund transfers (IFT), and revenue changes; and other changes that do not directly affect programs and service levels.

When entering data in this section, please observe the following:

1. Input amounts with commas and round to the nearest thousand dollars. Negative amounts are shown in parenthesis [e.g., (123,000)]. **Do not include dollar signs.**

2. Input the number of budgeted positions with commas and include the tenths of positions. Negative amounts are shown in parenthesis [e.g., (10.0)].

3. For the amounts entered, verify that Total Gross Appropriation minus IFT and Revenue equals Total NCC, and the amounts in each column add up to the totals. (For Special Revenue Funds and Districts departments, verify that Total Financing Uses equals Total Financing Sources).

CRITICAL AND UNMET NEEDS *(Optional)*

In this section, departments may briefly describe any funding requirements not currently addressed in the 2023-24 base budget. Critical needs are defined as those that are critical to the department's mission and impact core services. Also included are requirements based on legal mandates, new legislation, litigation or settlement agreements, accreditation or certification, Board motion or initiative, audit/consultant/Grand Jury/media findings. All others are to be classified as unmet needs.

DEPARTMENTAL DETAIL SUMMARY

The Departmental Detail Summary (DDS) provides account detail at the class level and is required for each operating budget unit. Departments are to enter all the information directly in the eCAPS BP System. All entries must be rounded to the nearest thousands (e.g., 231,165 should be entered as 231,000). The appropriate COGNOS report should be generated and submitted with your department's budget submission.

BUDGET WALKTHROUGH

Departments are ***required*** to develop a departmental budget walkthrough. A template is provided in Exhibit D. It may include as many columns as needed. Please ensure that the walkthrough columns have a header to identify the change and the corresponding change number from the Changes from the 2022-23 Budget section. Funding should be identified as ongoing or one-time. Departments should include the latest estimated actual figures that are available and update the walkthrough after each budget phase (Recommended, Final Changes, Deliberations and Supplemental).

ELECTRONIC BUDGET REQUEST

For each budget phase, the Electronic Budget Request (eBR), which aims to improve the internal budget review and approval process, and communication with the Board offices, is used to create packages for each budget change/request. Exhibit E displays the information required in eBR. Departments not utilizing eBR must complete Exhibit E with a detailed description and thorough justification for each requested change to facilitate review.

Among the information to be included in Exhibit E is the type of change and type of adjustment. For type of change the Budget Changes sections identified above are to be used. An additional section, Finance Target, is also available. Changes such as centrally-funded employee benefits fall in this category.

For type of adjustment, one of the following must be selected:

- Carryover – Use of **one-time** unspent funding approved for an existing project/program that will continue into the new budget year (BY);
- Departmental Additional Fund Balance (DAFB) – Use of **one-time** funding from the budget unit's own prior-year savings to be used for new projects/programs;
- Additional Fund Balance (AFB) – Use of **one-time** General Fund balance;
- Net County Cost (NCC) – New **ongoing** funding financed through central revenue streams such as Property Taxes;
- State Budget Impact – Adjustment that is a direct result of a State budget action;
- Ministerial Changes – Change between two or more budget units (i.e., transfer funding from DHS to Mental Health) or change between the same budget unit (i.e., realigning appropriation) that does not result in a change in overall County NCC;
- Revenue Offset – Appropriation change offset by revenue and/or intrafund transfers within the same budget unit; and
- Revenue Offset – AB 109 – Appropriation change offset by AB 109 funds.

EFFICIENCIES

Departments should continue to initiate and/or enhance efficiencies wherever possible by finding innovative ideas for improving operations, processes, and procedures with cost-saving objectives. The following is a summary of forms to assist in this review:

Required

a) **Overtime (Exhibit F-1)** – A review of the departmental overtime budget is necessary and, where feasible, should be reduced. If a reduction is not possible, an explanation is required.

b) **Rehired Retiree Cost Analysis (Exhibit F-2)** – Departments should monitor 120-day retirees to ensure efficient use of these type of employees. Departmental Human Resources staff must monitor the number of hours worked by 120-day retirees using the eHR Position Control Report found under Personnel Administration, On Demand, titled 120 Day Retirees (PAD-ODREHIRERET960). Employment of 120-day retirees should be on a temporary basis and should include the development of a knowledge transfer plan to ensure the transfer of the retiree's special skills or knowledge to current departmental employees. Retirees do not need to be brought back on their last item, as their payroll title should be commensurate with their duties and responsibilities. In addition, CEO review and approval is required to reinstate 120-day retirees. Details on the review and approval process, including the Department of Human Resources PPG 505: Reinstatement of Retirees to a 120 Day Assignment, were issued in a memo to Administrative Deputies on January 14, 2016.

Optional

c) **Consolidations and Efficiencies (Exhibit F-3)** – Departments should review internal operations as well as work with other County departments to propose consolidations of administrative functions or other programs that may be more effectively and efficiently performed as one program or within a single department. Departments should also look for innovative ideas for improving operations, processes, and procedures with cost-saving objectives.
d) **Information Technology (IT) Efficiencies (Exhibit F-4)** – Departments are encouraged to continue to look at innovative ways to improve operations. Exhibit F-4 is provided should departments have ideas to be considered that would provide cost savings.
e) **Legislative Changes (Exhibit F-5)** – Departments should complete this form if they can identify legislation that can be changed to provide for greater budgetary flexibility.

BUDGETING FOR EQUITY

On July 21, 2020, the Board adopted a motion that created the Board-directed priority known as the Anti-Racism, Diversity, and Inclusion (ARDI) Initiative and established an anti-racist policy agenda that will guide, govern, and increase the County's ongoing commitment to fighting racism in all its dimensions to create a Los Angeles County where we all thrive. One critical strategy to support more equitable outcomes for the communities we serve is budgeting for equity, which means to allocate resources in a way that is intended to address unfair disparities between different groups of people, such as racial groups or income groups.

As CEO develops a multi-year plan to build the infrastructure needed to establish new systems that can support equitable, clear, and transparent processes, departments should begin to incorporate equity in budgeting and evaluate program design through an equity lens. Departments should fully consider how a program is designed in an equitable manner during the development and submission of a budget request and present this information in the detailed justification field in eBR.

In the coming months, teams comprised of CEO Budget and ARDI analysts, as well as departmental staff, will be formed to work collaboratively in ensuring that after new funding is adopted by the Board, a program is designed in an equitable manner and aligns with the County Strategic Plan, when applicable. The ARDI team will also develop equitable tools to assist departments.

INFORMATION TECHNOLOGY (IT) BUDGET

The Office of the Chief Information Officer (CIO) provides guidance on whether department proposed IT expenditures are sound and consistent with the County's IT strategy to inform budgetary recommendations to the Board. Prior to the budget due date, the CIO will meet with each department to review anticipated BY 2023-24 IT budget requests, which will provide CEO budget analysts an early review of IT related items to facilitate budget deliberations.

For BY 2023-24, departments are requested to prioritize planned projects and budget requests that:

- Support Board priorities (as shown in Exhibit VV);
- Manage risk and ensure information security and privacy;
- Align to the Countywide Strategic Technology Plan's five Goals:

- Support consolidation of IT assets into the County Enterprise Data Center;
- Enable multi-disciplinary and inter-agency information sharing;
- Integrate business process improvement as part of technology modernization and organizational improvement projects;
- Replace at-risk legacy application systems; and
- Utilize new and innovative technologies and approaches.

There is no requirement to submit information in the County's Business Automation Plan (BAP) application in BY 2023-24. The BAP application has been retired and the CIO has established a workgroup of departmental IT representatives charged with developing and deploying a new Application and Project Portfolio Management solution to replace the BAP in future years.

The IT Program Summary (Exhibit G) is approved by the Departmental Budget Officer as a valid representation of the department's IT budget and enables the CIO to understand departments' aggregated IT budget and budgeted positions. Exhibit G-1 offers a sample of a fictional department that maintains the IT budget as a single program budget, and Exhibit G-2 offers a sample of a fictional department that distributes the IT budget in multiple program budgets.

Questions regarding the IT Budget may be directed to your department's assigned Deputy CIO. Additionally, for any IT-related position or organizational change requests, departments should provide copies of any reorganization studies, duty statements, and all other material supporting the requests to the Deputy CIO.

SUSTAINABILITY BUDGET

The OurCounty Sustainability Plan, adopted by the Board on August 6, 2019, is organized around 12 cross-cutting, high-level goals that reflect the interrelated nature of sustainability, and serves an outline of the County's roadmap for strategies and actions.

The Plan can be found at online at "The Plan" section at https://ourcountyla.org/.

In response to Board motion, departments have been working with the Chief Sustainability Office (CSO) through the County Sustainability Council to develop a coordinated list of priorities from the Plan. The CSO produces an annual sustainability priorities report that provides a preliminary list of those programs and/or actions that are the highest priority for consideration in the Recommended Budget and subject to funding availability. Any programs that are not approved on the preliminary list will be classified as an unmet need.

As part of the annual budget process, departments will also submit any budget requests for actions identified in the CSO sustainability priorities report in their departmental budget request to be considered during the Recommended Budget.

DEPARTMENTAL PROGRAM SUMMARY

Departments are required to provide program budget information (Exhibit J) including the legal authority for the program, whether the program is mandated or discretionary, description of the program, and a summary of budget information reflecting the base budget. Departments are requested to provide this information for all their programs. For Social Services departments, the assistance budgets should be included as a single program. Exhibit J will be used to update this information in the Departmental Program Summary form (formerly known as Performance Counts!) in the BP system.

Note: *A program is defined as **mandated only** if the State or the federal government requires it and it is beyond the Board's control. A program is defined as **discretionary** if it is within the Board's control to provide the program. A program created through adoption of an ordinance by the Board **is not** considered a mandated program.*

All departments are required to include an Administration Program, which identifies costs and revenues associated with the operation of the departmental administrative function. To ensure uniformity among departments, the Administration Program should include the following functions: executive office; finance, budget, and accounting; human resources (payroll and personnel); purchasing and contracts; information technology (if not identified separately in the organizational chart); facility management; and strategic planning. If departments believe they have additional functions belonging in the Administration Program, they should discuss the matter with their CEO budget analyst. The Administration Program narrative should briefly describe the functions that are included.

Departments that reflect an IT branch/unit in their organizational chart should identify it as a separate program. This program will include costs, revenues, and full-time equivalents (FTEs) associated with IT development, maintenance, operation, and support.

All administrative-related or central functions should be included in the Administration Program. There should not be a separate "Support Program". If departments are unsure on how to categorize the functions, they should discuss the matter with their CEO budget analyst. Revenues should be allocated to the programs that generated the revenue. For example, the House Counsel Program (County Counsel Sample) might generate revenue based on costs incurred by the House Counsel and Administration Programs. Therefore, the revenue should be matched (allocated) to the two programs based on how much each program earned. If departments are unable to break-out and match the revenues with the expenditures of the applicable programs, then this should be explained in the narrative.

The following summary budget information will be included for each program:

- Gross Appropriation,
- Intrafund Transfers,
- Revenue,
- NCC, and
- Budgeted Positions.

PERFORMANCE MEASURES

Although *Performance Counts!* data is no longer being submitted with the department's budget request, this data continues to be collected. This is one of the ways that CEO responds to Board inquiries regarding performance and outcome measures. BY 2023-24 *Performance Counts!* data will be collected in October 2023.

To avoid confusion of Performance Counts data with data formerly submitted as part of the Departmental Program Summary, the Performance Counts! form in the BP system has been renamed Departmental Program Summary.

UNINCORPORATED AREA SERVICES PROGRAM SUMMARY

The Unincorporated Area Services Program Summary (Exhibit K) was developed to display budget information pertaining to programs in the unincorporated areas. This form will only be applicable to departments providing services in the unincorporated areas. Please include all departmental budget elements associated with the program(s).

DEPARTMENTAL ORGANIZATIONAL CHART

A current departmental organizational chart (Exhibit L) must be included to reflect budgeted positions based on the 2023-24 Recommended Budget. To provide a uniform level of detail, organizational charts will display up to **four** levels depending on the size of the department. The required number of levels may include the Chief Deputy and Assistant Director levels if staff is reporting to these managerial levels. Departments should contact their CEO budget analyst if they believe the required number of levels requested is not practical for their department. Please ensure that the organizational chart reconciles to the eHR Position Control report titled Position Org Structure by Org Lvl Selection Report (PCN-ODORGBYORGLVL).

A second organizational chart is to be submitted (Exhibit M). Using the organizational chart created above, please include the ordinance count below the budgeted positions count and include total ordinance count at the top. This organizational chart is needed to identify where ordinance-only positions are in the organization and should also reconcile to the above mentioned eHR Position Control report.

To comply with printing requirements for the Recommended Budget, organizational charts ***must*** be prepared following these guidelines:

- Visio (preferred) or Excel software **ONLY**;
- Chart must be submitted on **one (1)** 8 ½ by 11-inch letter-size, landscape format sheet/file;
- All text in boxes and titles must be fully displayed and legible when printed; and
- **NO** color, shading, or shadowing on any part of the chart.

Any organizational chart not adhering to the above guidelines will be returned to the department for correction and resubmission.

Salaries and Employee Benefits

WHAT TO INCLUDE

- Salaries and Employee Benefits (S&EB) Detail (as a part of the Departmental Detail Summary)
- Duty Statement/Position Justification
- Organizational Charts showing budgeted/ordinanced positions
- Position Control Reports
- BY 2023-24 S&EB Spreadsheets
- Salary Savings Calculation Sheet

SALARIES AND EMPLOYEE BENEFITS (S&EB) DETAIL

Departments are to enter all S&EB information directly in the eCAPS BP System. All entries must be rounded to the nearest thousands (e.g., 231,165 should be entered as 231,000). Salary information will automatically be updated in the eCAPS BP System when positions are added/deleted via the Positions Line tab. Employee benefits must be entered at the object class using the S&EB codes established. Please refer to the Departmental eCAPS BP Instructions (eCAPS-BP) for further details.

eHR POSITION CONTROL AND BUDGET PREP POSITION ENTRIES

Adding Positions in Budget Prep

There are four types of position additions in Budget Prep, and it is important to correctly determine the type of addition a department will be entering. The four types are:

1. Reclassification
2. Allocation by CEO Classification
3. Previously granted outside the budget process (via Board letter or County Code Section 6.06.020). These are also referred to as “mid-year” positions.
4. New Positions

The first three types of position additions (reclassifications, allocations, and mid-year positions) must be entered into eHR and assigned a Position ID number before they are entered into Budget Prep. This allows the changes to be implemented immediately in eHR instead of waiting until the next budget cycle. For this reason, these three types of position additions require the Position ID number to be entered into Budget Prep. It is important for budget staff to work with their departmental Human Resources (HR) staff to obtain the Position ID numbers for any reclassified, allocated, or mid-year positions.

Reclassifications and Allocations

The entry of a reclassified/allocated position is comprised of two entries: 1) the addition of the new reclassified/allocated position, and 2) the deletion of the original position that has been reclassified/allocated. Both the position addition and deletion require the Position ID to be entered in Budget Prep (you cannot use “NEW” for the position being added). Also, reclassifications must be Board approved before entering them in Budget Prep (a reporting out letter from CEO Classification is not sufficient). If these two conditions are not met (Board approved and Position ID for position being added), the department should wait until the following budget cycle to enter the reclassification. Please remember that upon Board approval reclassifications are immediately entered in eHR and available for the department to use, therefore, there is no adverse impact on waiting until the following budget cycle.

Mid-Year Positions

Positions may be added in eHR throughout the year with Board approval. These positions will be closed in eHR effective June 30th of the current fiscal year unless they are officially added through the budget process. Budget staff should work with their departmental HR staff to determine: 1) if the department has any existing mid-year positions and if so, 2) if the positions are needed beyond June 30th and the department would like to include them in their budget request. When requesting positions previously approved mid-year, the existing Position ID number must be entered in Budget Prep (i.e., do not enter NEW for the Position ID number).

Please remember, all mid-year positions that are not officially added through the budget process will be closed in eHR effective June 30th of the current fiscal year.

Adding New Positions in Budget Prep (not already included in eHR)

When a new position is requested, the department should enter NEW in the Position ID field on the Positions Line tab. Additionally, it is very important that the Unit information is entered correctly in Budget Prep. After each budget cycle, there is an automated interface between Budget Prep and eHR to create the new positions (and close the deleted positions) in eHR. This automated interface utilizes the Unit information entered in Budget Prep to create the new positions. Therefore, budget staff should ensure that the Unit information entered in Budget Prep is where the department would like the position permanently assigned in eHR.

For detailed instructions on adding position entries, please reference the eCAPS BP Instructions (eCAPS-BP).

Deleting Positions in Budget Prep

When deleting a position, departments must determine if the position is vacant or encumbered. If vacant, departments must indicate VACANT in the Justification field on the Positions Line tab. If encumbered, departments must indicate the Position ID number the employee will be transferred to prior to July 1st on the Justification field on the Positions Line tab. This step is very important as departments need a plan for the existing employee. Budget staff should work with their departmental HR staff to determine this information. For detailed instructions on deleting position entries, please reference the eCAPS Budget Prep Instructions (eCAPS-BP).

Using the eHR LBPD Screen to Verify Budget Prep Position Entries

The Load Budget Prep Data (LBPD) screen in eHR verifies Budget Prep position entries pass all eHR edits and validations. This page is refreshed daily at 8:00am. Departments must check this screen throughout the budget process to ensure it is free of errors. Any departmental budget submission containing errors in LBPD will be returned to departments to make the appropriate corrections in Budget Prep.

For detailed instructions, including a listing of LBPD errors and resolutions, please reference the eHR LBPD Budget Instructions (eHR-BP).

REQUESTING NEW POSITIONS AND THE TRANSFER OF EXISTING BUDGETED / ORDINANCE POSITIONS

A memo to all Administrative Deputies dated October 11, 2022 instructed departments to continue to implement an “early planning phase” of the budget development process, whereby departments identify a workgroup comprised of departmental budget and human resources staff to work directly with CEO Budget and Classification/Compensation (Class/Comp) staff, and CEO CIO staff, if applicable, to prepare comprehensive budget packages. These meetings are particularly critical for those requests involving new programs, potential new classes, and position changes. This will help to ensure that the analysts have sufficient time to fully evaluate the issues and develop recommendations best suited to meet the needs of both your department and the County as a whole. These meetings were initiated by your CEO budget or class/comp analyst in early October.

In addition, departments are reminded all human resources staffing requests must be coordinated with the Department of Human Resources (DHR). These requests, along with the corresponding duty statement and org chart, are to be sent concurrently to DHR addressed to Pamela Missett, Chief Deputy, for review. This is required to ensure there is no duplication of resources for centralized services that are provided by DHR.

These instructions incorporate the requirements by the CEO to review and evaluate the new and/or transferred position(s) requested for BY 2023-24.

The following table summarizes the roles of each department entity involved in the budget process with respect to new positions and position transfers:

DEPARTMENT	DEPARTMENTAL CLASSIFICATION DIVISION	CEO – BUDGET (BUDGET)	CEO – CLASSIFICATION/ COMPENSATION (CLASS/COMP)	CEO – CHIEF INFORMATION OFFICE (CIO)
ACTIVITY	• Discuss requests with program managers prior to submitting budget including alternatives to requesting new items such as using existing vacancies or funding existing ordinance only positions. • Discuss requests with CEO (Budget/Class/Comp) as early as possible. • Ensure final budget documents comply with CEO requirements. • Submit budget packet to CEO (Budget/Class/Comp), and CEO CIO (IT requests only) concurrently.	• As a result of the early planning phase, provisionally approve new and transferred positions pending final CEO Class/Comp allocation. • Delete positions. • Authorize reorganizations (jointly, with CEO Class/Comp).	• Recommend appropriate classes/levels for each new/ transferred ***ordinance*** position requested by the department and provisionally approved by CEO Budget. • Discuss IT position requests with CEO CIO. • Authorize reorganizations, including permanent position transfers (jointly, with CEO Budget). • Issue a reporting out letter to the department indicating recommended allocations for each budget phase. • Issue Board letter for each budget phase to implement recommendations.	• Prioritize department IT position requests. • Recommend to CEO Budget the IT positions to be given highest priority. • Discuss IT position requests with CEO Class/Comp. ***Note:*** *CEO Class/Comp determines the final allocation levels.*
PRIMARY FACTORS CONSIDERED		• County/department strategic plans and priorities. • Workload. • Available funding. • Utilization of current positions. • Vacancies – Number and Duration.	• Class definition/ allocation standards. • Prior allocations. • Allocation/utilization of the requested class in the department and countywide. • Existing classes/ roles in the current organization.	• IT workload. • Complexity of IT policies and practices. • Complexity of department's IT organization.

DEPARTMENT	DEPARTMENTAL CLASSIFICATION DIVISION	CEO – BUDGET (BUDGET)	CEO – CLASSIFICATION/ COMPENSATION (CLASS/COMP)	CEO – CHIEF INFORMATION OFFICE (CIO)
			• Vacancies – Number and Duration.	

Required Documentation

To expedite the review process, all necessary final documents related to position requests should be submitted concurrently to CEO Budget, CEO Class/Comp, and if applicable, CEO CIO. Below is a comprehensive chart of the items required for a thorough analysis of position requests:

DOCUMENT	DESCRIPTION	REQUIREMENTS
Standard Duty Statement *(Exhibits N and N-1)*	Detailed description of the requested position: • General overview of the position • Reporting relationships • Proposed major duties • Percentage of time spent on each duty • Impact on departmental strategies and operations	• For all new/transferred position requests except those classes requiring a Basic Duty Statement. *(Please refer to the list provided by your Class/Comp Analyst)* • Address who, what, when, where, why, and/or how, as applicable • List ***significant*** primary duties so that time percentages are at least 10 percent ***NOTE:*** *Positions will be allocated at the journey-level or to Intermediate Clerk if class specification duties are copied or incomplete documentation is submitted.*
Basic Duty Statement *(Exhibit O)*	Abbreviated form and up-to-date organizational chart needed for certain countywide and departmental specific classifications.	Requested class must appear on the list provided by your Class/Comp Analyst • No listing of duties required – requires only classification title, budgeted title of supervisor, up-to-date organizational chart, and current assignment

DOCUMENT	DESCRIPTION	REQUIREMENTS
Organizational Chart *(Exhibit P)*	A diagram which shows how the new or transferred position(s) will fit into the existing organizational structure	• Required for all new and transferred position requests • Include ordinance positions from branch level down to the unit where the new positions will be budgeted • Show budgeted titles versus functional or payroll titles • Include vacant ordinance/budgeted positions • Clearly denote new position (e.g., bold, duty statement reference number) • Clearly denote all immediate reporting relationships with respect to subject positions • Identify loaned or contracted positions • Identify Position ID #'s

VARIOUS TYPES OF POSITION REQUESTS

Position requests fall into different categories, each category with its own separate set of criteria. The following chart identifies the various categories and its criteria to facilitate new position request.

TYPE OF CHANGE	GENERAL PRACTICE	REQUIREMENTS
Position transfers (intra and interdepartmental)	Subject to review and re-allocation	• Detailed duty statements for all positions unless unit is transferring unchanged • Two organizational charts required: (1) Current structure - subject positions (2) Proposed structure with the transferred positions clearly identified
Reclasses (position swaps in the same or closely related occupational series)	• Only Board adopted reclasses (included in a Countywide Classification Board letter) can be posted in the budget • CEO Class/Comp allocation memos (reporting out letters) for classification studies (not budget allocations) are for information only and cannot be used as the basis for budget adjustments	• Not permitted in the budget process • Submit a completed classification study for review and approval to CEO Class/Comp
Reorganization	**Major reorganizations** • To be posted only if previously reviewed and approved by CEO (Budget and Class/Comp) **Minor reorganizations** • To be posted only if required documentation submitted within budget timeframes	**Major reorganizations** • Not permitted in the budget process • Requires approval from CEO Class/Comp (in consultation with CEO Budget where possible) **Minor reorganization (minimum requirements)** • Detailed duty statements for all new/transferred positions • Before and after organizational charts showing all ordinance positions • Submit at least 30 days prior to budget submission due date
New Classes	Established on a limited basis by CEO Class/Comp	• No existing classification adequately describes the scope of work • Contact CEO (Budget & Class/Comp) well in advance of budget submittal

POSITION CONTROL

Departments must submit the following four eHR Position Control reports as part of their budget requests. These reports should be monitored regularly, and **departments are responsible to bring and keep their item controls in full compliance with appropriate policies and procedures.**

1. Employee Assignment Discrepancies Report (PCN-ODDISCREPESMT)
2. Over-Hired Positions Report (PCN-ODOVERHIREPOSN) – select option "Over Hire Positions".
3. Over-Hired Positions Report (PCN-ODOVERHIREPOSN) – select option "Positions Not Allowed to be Filled". The department must provide an explanation for any items appearing on this report.
4. Loan/Borrow Detail Report (PCN-ODLOANBORDETL) – Departments should not utilize the loan/borrow position functionality in eHR Position Control for over a one-year period. To avoid loaning/borrowing a position for over a year, departments should request a permanent position transfer or return the position to its original unit.

As a reminder, the following are examples of situations that are not in compliance and will appear on the reports listed above. Departments should resolve these issues to bring their item controls into full compliance.

- Incumbents sitting against a lower budgeted item;
- Incumbents sitting against an "unlike" item (e.g., an Accountant sitting against a Nursing item) *see Classification Plan Schedule A – Series Level for "like" items*;
- Overhire situations (i.e., incumbents that do not have a corresponding budgeted position);
- Long-term loan/borrow situations (over one year).

SALARIES AND EMPLOYEE BENEFITS (S&EB) SPREADSHEETS

S&EB spreadsheets are required for the base budget only. Spreadsheets are not required for the official departmental budget request.

Departments should be aware that the creation of a new class, deletion of an existing class, or a title change should be discussed with CEO-Class well before the budget process begins.

The budgetary accounts for Salaries/Wages and Employee Benefits are reflected in **Employee Benefits and Bonus Budget Codes** (Exhibit Q).

Budgeted Positions

If new positions are being requested, it is important that departments also consider whether additional office space is required for the employees when they are hired. Please see the Office Space Section of these budget instructions for more information.

New positions should be budgeted in *whole increments for full-year funding*. Adjustments for partial year funding should be made in the Salary Savings calculation to adjust for the difference. The **Budgeted Position Subletter schedule** (Exhibit R) gives a description of each subletter item.

Departments are required to budget positions funded by grants as “N” positions. These positions should be deleted when the grant funding expires or when the program is completed. If the grant funded position is encumbered, the employee should be moved to a vacant funded position.

Do not budget positions and salaries on subletters "P" through "Z." The "P" through "Z" item subletters were created for pay purposes only, not for budgeting. Departments have maximum flexibility by budgeting "A" (monthly permanent) item subletter positions since they can fill them with any type of fractional monthly permanent item.

The **Item Subletter Compatibility with Schedule** listing (Exhibit S) designates which item subletters should be used with each salary schedule. Do not use an ordinanced or budgeted position with an item subletter that is not compatible with the item's salary schedule. As stated in the previous paragraph, departments may fill monthly permanent ("A" item subletter) budgeted positions with any fractional monthly permanent item (item subletters "P" to "Z").

Long-Term Vacant Budgeted Positions

Departments must thoroughly review vacant positions and delete positions that have been vacant for more than 12 months. In addition, before requesting new positions, departments should (1) utilize vacant positions, (2) delete vacant positions to offset new position requests, and/or (3) adjust salary savings to a more appropriate level.

SALARY SAVINGS

Salary Savings represent the projected difference between actual salary expenditures and the budgeted salaries (weighted rate) shown on the salary spreadsheets. The vacancy factor included in Salary Savings may be from hiring delays and attrition. Positions simply held vacant should not be included as a component of salary savings; instead, departments should eliminate positions that have been left vacant for the last 12 months.

To further the analysis of the salary savings calculation and to provide more detailed information to the Board, departments are required to complete the calculation sheet provided in Exhibit T. The calculation sheet requires the identification of the estimated number of FTEs related to the various factors that contribute to salary savings. Departments may not be able to specifically identify positions related to each of the factors so the estimated FTEs may be calculated by using the department’s average salary rate.

EMPLOYEE BENEFITS

The County benefit programs include medical, vision, dental, life and disability insurance, flexible spending account, retirement plans, and other voluntary benefits.

Salaries and Employee Benefits Cost-Out Template

The Excel-based salaries and employee benefits cost-out template (Exhibit U-1) is required to be utilized to estimate employee benefits costs when positions are added or deleted from the budget. The template prepopulates with salary and employee benefits information for each new budgeted position added, and the benefits costs are automatically calculated. This template must be used to help ensure that costs for each position are calculated accurately and consistently across all County departments. The template also includes controls that will significantly reduce or eliminate user error.

Please note: *When deleting positions utilizing the cost-out template, amounts will not be calculated for centrally funded benefits including retirement, Options, Choices, and health insurance buydown. This is because centrally funded benefits are calculated based on the number of filled positions, rather than budgeted positions.*

Centrally and Non-Centrally Funded Employee Benefits

Most employee benefits programs are centrally funded with NCC, subject to subvention funding. NCC funding for these benefits is provided when a new position is added to the budget. Centrally funded benefits are adjusted during the various budget phases for rate changes or for cost-of-living adjustments (COLA). Only salary-driven employee benefits are adjusted for COLA, since the benefits are directly correlated to salary movements.

Employee benefits that are not centrally funded with NCC include workers' compensation, long-term disability (non-MegaFlex), and unemployment insurance benefits. Departments are required to absorb cost increases associated with these benefits within their current resources.

Centrally Funded Employee Benefits Budget Estimates

Recommended budget amounts are provided for centrally funded benefits that are adjusted annually for rate changes. These benefits include retirement, Options, Choices, and MegaFlex health insurance buydown. The budget estimates for these benefits are based upon the **number of filled positions** as of the last payroll date prior to when the estimates were developed. Because the estimates are based on filled positions (and not budgeted positions) there may be the following funding implications:

1. If a department plans to fill a significant number of existing vacant budgeted positions during the budget year, the department must discuss this with its CEO Analyst or CEO Manager, who will work with CEO Finance to incorporate the potential cost increases into the budget estimates.

2. When budgeting centrally funded benefits that are adjusted annually for rate changes, departments must use the CEO recommended amounts, or an amount greater than the CEO recommended amounts if new positions are being added to the budget. **The**

department's budget amounts should not be less than the CEO recommended amounts, even if positions are being deleted from the budget. When deleting positions, ensure that you are not deleting funding for centrally funded benefits that are based on filled positions. If a department's final budget amount is less than the CEO recommended amount, departments should make the necessary adjustments to ensure their budget is in line with the CEO recommended amount.

Base Budget

The base budget is derived from the CEO Recommended Budget amount plus adjustments for position changes during the previous year's budget cycle. During the current year Recommended Budget phase, the base budget will be the higher of the prior year Final Adopted Budget and the prior-year CEO Recommended Budget.

Example 1: In BY 2022-23, a department's Choices Plan CEO Recommended Budget amount is $610,000. During the year, the department **added** three positions to the budget, costing $60,000 in Choices Plan benefit. As a result, the department's Choices Plan BY 2022-23 Final Adopted Budget is $670,000. At the onset of the BY 2023-24 budget cycle, the department's Choices Plan Base Budget is $670,000 ($610,000 + $60,000).

Example 2: In BY 2022-23, a department's Choices Plan CEO Recommended Budget is $610,000. During the year, the department **shifted** $25,000 from the Choices budget to unemployment insurance, to fund unavoidable cost increases. As a result, the department's Choices BY 2022-23 Final Adopted Budget is $585,000 ($610,000 - $25,000).

At the onset of the BY 2023-24 budget cycle, the department's Choices Plan Base Budget is $610,000 even though the department's BY 2022-23 Final Adopted Choices budget reflects the lower amount of $585,000. During BY 2023-24, the department must realign its budget by shifting back the $25,000 funding from unemployment insurance to the Choices budget.

Example 3: In BY 2022-23, a department's Choices Plan CEO Recommended Budget is $610,000. During the year, the department **deleted** five **vacant** budgeted positions from the budget, costing $100,000. As a result, the department's Choices BY 2022-23 Final Adopted Budget is $510,000 ($610,000 - $100,000).

At the onset of the BY 2023-24 budget cycle, the department's Choices Plan Base Budget is $610,000 even though the department's BY 2022-23 Final Adopted Choices budget reflects the lower amount of $510,000. During BY 2023-24, the department must work with its CEO Analyst to restore the $100,000 that was deleted from the budget in the prior year.

Example 4: In BY 2022-23, a department's Choices Plan CEO Recommended Budget is $610,000. During the year, the department **deleted** four **filled grant-funded** positions from the budget costing $80,000, along with $80,000 in revenue funding the benefit. As a result, the department's Choices Plan BY 2022-23 Final Adopted Budget is $530,000 ($610,000 - $80,000).

At the onset of the BY 2023-24 budget cycle, the department’s Choices Base Budget is $610,000 even though the department’s BY 2022-23 Final Adopted Choices budget reflects the lower amount of $530,000. During BY 2023-24, the department must work with its CEO Analyst to backfill the $80,000 in lost revenue and appropriation.

Summary of County Employee Benefits

Exhibit U-2 provides highlights of the County’s various employee benefits.

Services and Supplies

WHAT TO INCLUDE

- Services and Supplies (S&S) Object Class Detail (as a part of the Departmental Detail Summary)

- Information Technology related S&S Object Class Detail (as a part of the Departmental Detail Summary - IT)

- Schedule of Services Received

SERVICES AND SUPPLIES DETAIL

Departments shall report appropriation at the object class level for Services and Supplies. This also includes all Special Revenue Funds and Special Districts. Departments are to enter all the information directly in the eCAPS BP System. All entries should be rounded to the nearest thousands (e.g., 231,165 should be entered as 231,000).

Small equipment items (under $5,000) are budgeted as Services and Supplies. Refurbishment projects (e.g., remodeling), in excess of $100,000, are to be budgeted and charged to capital assets. Please see the "Capital Projects/Refurbishments" section for further information on refurbishments.

Departments should consider the cost-of-living allowances on leases and other contracts when developing their budget requests. Departments should be particularly mindful of budgeting expenditures for sensitive or high-profile issues, such as: cellular telephones, subscriptions, travel, furniture, computers, training, systems development, planning costs, multi-phased projects, consultants, and other contracts. Further justification should be provided for these budgeted expenditures.

Schedule Of Services Received

Please include all services provided by other County departments on the Schedule of Services Received (Exhibit V). It is expected that all departments rendering services to or receiving services from other departments will have coordinated their service amounts and resolved any conflicts. Departments must include current-year figures in addition to the upcoming budget year's amounts.

CEO budget analysts are instructed to assist departments in agreeing on the budgeted expense and revenue for services received/rendered. If an agreement is not reached, analysts will budget the service at the level the receiving department is budgeting the expense. Servicing departments will then be required to reduce their budgeted intrafund transfers and/or revenue and consequently, their appropriations to reflect the decreased demand in their services.

Takeovers of Internally Provided Services

On August 1, 2017, the Board approved revisions to Board Policy 4.020 “Administrative Policy on Takeovers of Internally Provided Services”. The revisions provide that proposed takeovers of internally provided services will no longer be submitted with the department’s annual budget request. Instead, proposals for service takeovers need to be independently evaluated and should be submitted prior to departmental budget requests. For additional information, please refer to the Board Policy or contact your CEO budget analyst.

Board Policy 4.030 “Budget Policies and Priorities”

On September 29, 2015 the Board approved revisions to Board Policy 4.030 “Budget Policies and Priorities” adding provisions regarding the use of supervisorial district-specific funding. The revised policy requires a four-fifths vote when ongoing supervisorial district-specific funding is secured by ongoing financial obligations beyond the total number of years the sponsoring supervisor may serve. In addition, Board approval is required when NCC funding is substituted for supervisorial district-specific funding. Departments are asked to ensure adherence to this policy when budgeting supervisorial district-specific funding. The entire policy is accessible online at: http://countypolicy.co.la.ca.us/.

Other Charges

WHAT TO INCLUDE

- Other Charges Sub-object Detail (as a part of the Departmental Detail Summary)
- Summary of 2023-24 Payments on Existing Bond and Lease Obligations
- Summary of 2023-24 New Equipment Financed Through Lease Purchase
- Summary of 2023-24 Existing Equipment Financed Through Lease Purchase

OTHER CHARGES DETAIL

Departments are required to provide detail for Other Charges at the object class level and the Equipment detail listings as indicated in Summary of Bonds and Lease Payments (Exhibit W), Summary of **NEW** equipment (Exhibit X) and Summary of **EXISTING** equipment (Exhibit Y). This also includes all Special Revenue Funds and Special Districts. Consistent with the Board's action on October 16, 2001, the equipment detail should be categorized based on the approved listing provided in Exhibit Y and should include only items $5,000 or over.

Departments are to enter all the information directly in the eCAPS BP System. All entries should be rounded to the nearest thousand (e.g., 231,165 should be entered as 231,000).

AUTHORIZATION FOR ACQUISITION USING CAPITAL LEASE FINANCING

Approval of financing authorization is required in order to use capital lease financing to acquire equipment, which is requested for each budget year during the recommended budget process as described here. Accordingly, departments must incorporate any capital lease requests for the forthcoming budget year into the Recommended Budget process and may not handle them on an "ad-hoc" basis during the fiscal year.

The Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) equipment financing program is the primary source for the financing for County equipment purchases via capital leases. Requests for capital lease financing should assume the use of LAC-CAL financing unless such financing does not fit the parameters of the LAC-CAL equipment financing program described below, or there is a compelling financial reason to use third-party financing. In all cases, however, authorization for use of equipment financing is required for each budget year and will not automatically carry over to the next budget year.

Exhibit X includes an entry for Purchase Cost, which reflects the authorized amount being requested to finance the purchase of the equipment, including applicable sales taxes, freight, and installation costs.

Please be aware that the Purchase Amount is a Not-To-Exceed authorization and cannot be increased later. If equipment costs are not yet known (due to pending RFP), estimate conservatively to ensure the department's request will provide sufficient authorization.

DEBT SERVICE PAYMENTS AND CAPITAL LEASE PAYMENTS

Debt service payments on Capital Projects, refurbishment projects (including telephone systems), energy improvements, and equipment that have been financed through the issuance of intermediate or long-term bonds, a vendor lease, or third-party lease should be specified in Exhibit W. These existing debt service payments should be listed individually, not in aggregate. Departments should incorporate 12 months of payments for existing leases unless the lease payments end during BY 2023-24. Please note that payments on operating leases are not considered debt service payments.

LAC-CAL LEASE PAYMENTS

Departments should incorporate 12 months of payments on equipment previously financed through LAC-CAL and summarize such payments in Exhibit Y unless the LAC-CAL lease payments end during 2023-24. New equipment purchases to be financed by LAC-CAL in BY 2023-24 should reflect six months of payments and be identified in Exhibit X.

Any new LAC-CAL equipment leases will be restricted to only the most critical purchases. Accordingly, departments must justify the need, identify the program, and specify the location of each additional equipment item. The program that would be using the equipment must be expected to continue operation for the duration of the LAC-CAL lease term. To the extent there is any uncertainty about the continuation of a program's operation, due to funding or other reasons, the LAC-CAL program – or any other capital or operating lease structure – should not be used to acquire the equipment.

In addition to a restriction based on need, new LAC-CAL equipment leases will also be limited to tangible capital assets that meet the following criteria:

1. **Unit Cost**: Equipment financed through LAC-CAL must have a unit cost that exceeds $25,000. The minimum unit cost requirement may be waived for certain critical equipment acquisitions, at the discretion of CEO Capital Programs Division (e.g., vehicles).

2. **Payment Terms**: 100% upon acceptance. Any payment terms which would require deposits, progress payments, or other payments prior to delivery and acceptance of the financed equipment are generally not compatible with LAC-CAL program requirements. Any procurement which would require such payment terms must be approved in writing by the Chief Executive Office – Capital Programs Division (Kathy Chang, kchang@ceo.lacounty.gov). A description of the equipment, need for the pre-payment terms, and timing from first to last payments should be submitted.

3. **Size**: Equipment must be large and non-portable to be financed through LAC-CAL to satisfy insurance limitations.

4. **Software**: Computer software may not be financed through LAC-CAL except as part of a "bundled" system in which the hardware and software have been developed together to meet a specific requirement. In a bundled system, the hardware and software are unique to one another and are, therefore, defined and bid as a single item.

5. **Warranties**: Extended warranties, maintenance and training costs may **not** be financed

through LAC-CAL. Departments should budget such items as Services and Supplies.

6. **Freight and Installation**: Freight/delivery charges and installation costs may be financed through LAC-CAL if such services are provided by the vendor. Services provided by County departments, such as installation or site modifications, are not allowable LAC-CAL costs.

7. **Useful Life**: Equipment financed through LAC-CAL must have a minimum useful life of three years. The useful life of the equipment must be at least as long as the requested LAC-CAL lease term.

EQUIPMENT LEASES

Policies and procedures governing equipment leasing in the County continue to evolve in response to changing operational needs, regulations and accounting and budgetary requirements. The purpose of this section is to clarify the County's current policies and procedures for its equipment leasing program. This discussion will focus on:

- Types of equipment leases, including a description of their characteristics, requirements, and appropriate applications;
- Equipment leasing procedures with a description of departmental roles and responsibilities; and
- Budgetary policies and instructions for preparation of equipment leasing requests in the 2023-24 departmental Recommended Budget.

Types of Equipment Leases

The County utilizes two basic types of leases to finance equipment: capital leases and operating leases. The selection of the proper lease type is based on the type of equipment, its unit cost, the need for future upgrades, and the department's intention regarding ownership at the end of the lease term.

Under either lease type, departments are responsible for the proper maintenance of the equipment during the lease term. It is important to note that maintenance services, even if provided by the lessor or vendor, must be obtained separately from the leasing of the equipment. Accordingly, maintenance services should be requested under a separate requisition and purchase order than the equipment.

Insurance for all leased equipment is provided under a blanket commercial insurance policy managed by the CEO. Insurance premiums on this policy are billed to departments based on the value of equipment under lease. Billings are either charged directly to departments or in the case of equipment purchases that are financed through the LAC-CAL, are incorporated into LAC-CAL's monthly lease payments.

Capital Leases

The distinguishing features of a capital lease are County ownership of the equipment at the end of the lease term and the availability of lower interest rates. Under a capital lease, title to the equipment is held by the lessor. The County builds equity or ownership in the equipment during the lease term and fully amortizes its cost. At the end of the lease term, title to the equipment is transferred from the lessor to the County. Capital leases should be employed when a department intends to own the equipment at the end of the lease term or when the lease payments over the term would not be significantly higher than those under an operating lease. This can be the case when operating lease bidders do not assume the equipment will have much value remaining when they receive the equipment back at the end of the lease term. Interest rates are generally lower on capital leases due to the tax-exemption on interest payments that are available to governmental lessees under federal tax regulations. This tax-exemption reduces the lessor's funding costs, and in turn, the interest rate on the lease.

Due to its standardized financing terms and conditions and streamlined approval process through ISD-Purchasing procurement, LAC-CAL is the most timely and cost-efficient method for the County to procure equipment via a capital lease. Occasional exceptions arise when an alternate capital-lease method is more appropriate than using LAC-CAL. **Departments making requests on Exhibit X to use alternate equipment financing methods for NEW capital leases (vendor or 3rd party financing) instead of LAC-CAL must include an attached explanation with the reasons for the exception.**

Capital leases may only be utilized to finance equipment which is classified as a capital asset. In addition, the equipment must have a minimum unit cost of $25,000 and a useful life which matches or exceeds the lease term. Equipment costs which can be financed under a capital lease include:

- Acquisition cost of the equipment;
- Computer software costs if the software is combined with hardware under a "bundled" or "turnkey" system. In such a system, the hardware and software have been developed together to meet specific requirements and are therefore unique to, and cannot function without one another;
- Sales tax;
- Freight or delivery costs; and
- Installation costs which do not involve alterations or improvements to the facility and are incurred by the equipment vendor or manufacturer.

Capital leases can be provided through the LAC-CAL or a third-party lender approved by the CEO and County Counsel. LAC-CAL is a non-profit corporation established by the County to assist in the lease financing of County equipment. Under this program, bonds are issued by LAC-CAL to fund equipment acquisitions that are, in turn, leased to the County over a three to five year term. Due to the tax-exempt status of its bonds, LAC-CAL generally offers the lowest interest rates and payment levels. The repayment requirements on LAC-CAL's bonds, however, severely limit a department's ability to prepay a LAC-CAL lease and trade-in equipment which becomes obsolete or incompatible with the department's operation. As a result, LAC-CAL financing is appropriate for equipment whose use will exceed the lease term without requiring an upgrade or replacement.

When a department intends to own the equipment but requires prepayment options or customized payment schedules to meet budgetary constraints, the equipment should be financed through a capital lease with a third-party lender. Due to the increased flexibility, interest costs on third-party capital leases are generally higher than those available through LAC-CAL. Beyond the increased flexibility, the requirements of any capital lease regarding the department's intent of ownership, the equipment's unit cost, and its useful life still apply.

Third-party lenders are selected through a competitive process managed by the Internal Services Department and CEO. To participate in this selection process, third-party lenders must execute a Master Lease Agreement with the County which is approved by the CEO and County Counsel and signed by the lender and the County's Purchasing Agent. Departments are not authorized to select third-party lenders or to negotiate the terms and conditions of lease agreements.

Operating Equipment Leases

Unlike capital leases, which assume ultimate County ownership of the equipment as initially purchased, operating leases provide a financing mechanism for equipment which the County has no intention of owning due to an anticipated need to replace or significantly upgrade the equipment prior to the end of its useful life. Such a need is primarily associated with highly technical equipment which needs to be continually upgraded to meet changing or increasing operational requirements and equipment which fails to qualify as a capital asset such as personal computers. Operating leases can also provide a cost-effective alternative to monthly rentals where departmental operations are in transition.

Since operating leases are based on use rather than final ownership, only the depreciated value of the equipment over the lease term is amortized rather than its initial acquisition cost. The absence of an intention to own the equipment at the end of the lease term, however, precludes the availability of tax-exempt interest rates. As a result, interest costs are higher under an operating lease but overall lease payments can be lower since an amount less than the initial acquisition value is being amortized.

Following is an example:

	Capital Lease	Operating Lease
3-Year Term Cost Comparison		
Acquisition Cost	$ 100,000	$ 100,000
Less: Estimated Residual Value	0	(20,000)
Amount Financed	$ 100,000	$ 80,000
Ownership at End of Lease Term	Yes	No
Interest Rate	5.0%	7.0%
Annual Payment Amount	$ 35,965	$ 29,642
Personal Property Tax	$ 0	$ 2,200
Total Payments Over Term	$ 107,895	$ 88,926
5-Year Term Cost Comparison		
Acquisition Cost	$ 100,000	$ 100,000
Less: Estimated Residual Value	0	(10,000)
Amount Financed	$ 100,000	$ 90,000
Ownership at End of Lease Term	Yes	No
Interest Rate	5.0%	7.0%
Annual Payment Amount	$ 22,645	$ 21,385
Total Payments Over Term	$ 113,227	$106,926

In order to be considered an operating lease, several accounting requirements must be met. The primary goal of these requirements is to ensure that the County does not build equity in the equipment and ownership is not transferred at the end of the lease term. The Financial Accounting Standards Board's "Statement of Accounting Standards No. 13" places the following requirements to ensure that ownership is not transferred under an operating lease.

- An operating lease may not include a transfer of ownership from the lessor to the lessee at the end of the lease term.
- A transfer of ownership to the lessee cannot be encouraged by the inclusion of a "bargain purchase option". A purchase option is considered to be a "bargain" if the option cost is less than 10 percent of the equipment's purchase value and is determined at the time the lease is executed. Purchase options under an operating lease can be negotiated. The pricing of such an option, however, must be based on the fair market value of the equipment at the time the option is exercised and cannot be negotiated in advance.
- The lease term may not exceed more than 75 percent of the equipment's useful life, which is determined by the IRS guidelines for each equipment category. Most equipment categories have a useful life of 3-4 years.

The present value of the contractual lease payments cannot equal or exceed 90 percent of the fair market value of the equipment (i.e., the purchase price, for new equipment) at the time the lease is executed. **In simpler terms, this provision precludes the use of an operating lease if lease payments exceed 90 percent of the purchase price.** To determine the equipment cost, the vendor's purchase price for the equipment must be quoted in addition to the lease price. The true (lowest) purchase price for the equipment from the vendor must be used when calculating whether this requirement is satisfied; arbitrary pricing may not be used for this calculation.

It should not be assumed that the lease pricing which results from a solicitation will be low enough in relation to the purchase price to permit an operating lease. It is advised that a reference quote be sought to determine whether pricing is likely to meet FASB 13 requirements prior to issuing an RFP.

While ownership cannot be transferred to the County, an operating lease does provide the following three options to departments at the end of the lease term:

- Return the equipment to the lessor with no further financial obligation except for shipping costs;
- Purchase the equipment at a cost equal to its fair market value, as determined by the lessor; or
- Renew the lease for one year at an interest rate determined at the end of the initial lease term. The lease extension must also be compliant with FASB 13 requirements.

Departments will be required to notify the lessor, the CEO, and the Purchasing Agent of its end-of-lease choice 90 days prior to the end of the lease term.

Payment Calculations

Payment calculations for NEW capital and operating leases are detailed below. Capital lease payments are budgeted as Other Charges and operating lease payments are budgeted as Services and Supplies.

Capital Leases

Capital lease payments should be based on the total purchase cost of the equipment including sales tax, freight, and vendor installation fees, if any. Payment levels are fixed upon execution of the lease based on interest rates available at the time. For budgetary purposes, payments are to be calculated with an interest rate of 5.00 percent. All equipment leased through LAC-CAL or through a third-party lessor requires insurance to be carried. An amount equal to 1.5 percent of lease payments must be budgeted to cover insurance costs. Departments also need to budget Internal Services Department (ISD) fees for purchasing services which will apply to all LAC-CAL purchase orders. These charges will be billed by ISD directly to the department's operating budget.

Capital lease payments are budgeted as Other Charges. Departments should include 6 months of payments for new equipment requests and 12 months for existing equipment leases. Departments should utilize the payment formula provided below to determine payment amounts to be budgeted. Based on the requested lease term, use the applicable Useful Life Factor to below to calculate the 6-month payment. Note that the lease term may not exceed the useful life of the equipment.

$$\frac{\text{(Purchase Cost + Sales Tax + Freight + Installation)}}{\text{Useful Life Factor}} \times 1.015 = \text{6-Month Payment}$$

Useful Life Factors:	For 3 Year lease term:	5.508125
	For 5 Year lease term:	8.752064

Operating Leases

Operating lease payments should be based on 90 percent of the total purchase cost of the equipment. Sales tax is not applicable, although the use tax does apply. The use tax rate is the same as the sales tax (usually 10.25 percent) but is applied to the monthly lease payment amount and paid monthly over the term of the lease. Freight and vendor installation fees can be included in the amount to be amortized. For budgetary purposes, payments are to be calculated with an interest rate of 7.00 percent.

Operating lease payments are budgeted as Services and Supplies. Departments should include six months of payments for new equipment requests and 12 months for existing equipment leases. Departments should utilize the payment formula provided below to determine payment amounts to be budgeted. It is important to remember that the lease term may not exceed 75 percent of the useful life of the equipment. All equipment procured through a third-party operating lease requires insurance to be carried. An amount equal to two and half percent of lease payments must be budgeted to cover insurance costs (1.5 percent) and personal property taxes (1 percent).

$$\frac{\text{(90\% of Purchase Cost + Freight + Vendor Installation)}}{\text{Useful Life Factor}} \times 1.1025 \times 1.025 = \text{6-Month Payment}$$

Useful Life Factors:	3 Year:	5.328553
	5 Year:	8.316605

Capital Assets

WHAT TO INCLUDE

- Capital Assets Object Detail (as a part of the Departmental Detail Summary)
- Capital Assets - Equipment Detail

EQUIPMENT DETAIL

Consistent with the Board's action on October 16, 2001, departments are required to submit a detail list of all equipment planned to be purchased in BY 2023-24 according to the categories indicated in Exhibit Z. The capital assets listing must adhere to the Auditor-Controller's eCAPS Financial object codes and be used to record equipment purchases.

Departments shall report at the object level for capital assets and must enter all the information directly in the eCAPS BP System. All entries should be rounded to the nearest thousands (e.g., 231,165 should be entered as 231,000).

The list should provide the equipment classification, a brief description, the quantity to be purchased, amount and a justification for the need. Exhibit AA is the required format and should be included in your budget request submission.

Special Revenue Funds and Special Districts that budget for equipment purchases should also provide the detailed list.

Departments are reminded that, in accordance with the Auditor-Controller's memorandum of January 27, 1993, small equipment items (under $5,000) are to be budgeted as Services and Supplies.

AB 109 Public Safety Realignment

Departments impacted by Public Safety Realignment (AB 109) are required to submit AB 109 adjustments with their departmental budget submission. **The objective of the Recommended Budget phase is to determine each department's AB 109 baseline target allocation. New funding requests and/or allocations will not be considered during the Recommended Budget phase.**

AB 109 OVERVIEW AND LEGAL MANDATE

In 2011, Governor Edmund G. Brown Jr. signed AB 109. AB 109 transferred responsibility for non-violent, non-serious, and non-sex offenders from the State of California (State) to its counties. Additionally, under AB 109, all parole revocations are to be served in county jail instead of state prison. These responsibilities are funded by the State through the AB 109 Community Corrections Subaccount. AB 109 also shifted revocation hearings between the prosecution and defense to the counties. These responsibilities are funded by the State through the AB 109 District Attorney and Public Defender Subaccount. Further, AB 109 includes a Local Innovation Subaccount, which is funded through a 10% set-aside of one-time growth funds received from the State and is intended to promote local innovation and county decision making.

The legislation provides a revenue stream to counties to fund their responsibilities through Vehicle License Fees and a portion of the State sales tax. The base funding amount is not guaranteed and is subject to fluctuations in the economy.

AB 109 COMMUNITY CORRECTIONS SUBACCOUNT SCOPE

Article XIII, Section 36(a)(1) of the State Constitution defines "Public Safety Services" eligible to be funded through the AB 109 Community Corrections Subaccount to include, among other activities: employing and training public safety officials, including law enforcement personnel and attorneys assigned to criminal proceedings; managing local jails; and providing housing, treatment, and services for, and supervision of, juvenile and adult offenders.

AB 109 funds may not be used to supplant other funding for existing Public Safety Services.

AB 109 STRUCTURE

The County AB 109 budget is organized into three categories:

1. **Ongoing base funding**: Ongoing funding allocated to the County by the State. The County is allocated 31.1036% of the State's AB 109 Community Corrections Subaccount base funding, although the base funding amount is not guaranteed. The County utilizes its ongoing base allocation to meet its AB 109 legal obligations as well as to fund other Board and County priorities.

2. **New one-time funding:** New one-time funding allocated to the County by the State, which varies annually based on sales tax revenues and various performance metrics.

3. **One-time prior-year carryover funding**: One-time funding allocated at the request of departments to carryover prior-year unspent funding approved for an existing project/program that will continue into the new budget year.

PUBLIC SAFETY REALIGNMENT TEAM

On December 8, 2020, the Board adopted a motion outlining its vision for the future of Public Safety Realignment in Los Angeles County. Pursuant to the motion, the Public Safety Realignment Team (PSRT) provides program recommendations for AB 109 funding allocations that reflect the County's AB 109 implementation plan and the Board's priorities. As with all budget matters, the AB 109 budget process remains the responsibility of the CEO. However, the PSRT's funding recommendations offer valuable input and guidance that inform the CEO's funding recommendations to the Board. It is anticipated that the PSRT will continue to provide program recommendations that may potentially impact your departments for BY 2023-24.

AB 109 RECOMMENDED BUDGET PROCESS

Each department's BY 2023-24 AB 109 baseline target allocation includes:

1. The department's BY 2022-23 Final Adopted AB 109 budget;

2. Board-approved salary and employee benefit increases;

3. Board-approved program annualizations and related adjustments; and

4. The reversal of one-time prior-year funding.

CEO budget analysts will provide the AB 109 Baseline Target Walkthrough to impacted departments.

Departments are required to submit each line-item adjustment through eBR. Each eBR package must include:

a. Departmental Org Number. Refer to Exhibit BB for a list of org numbers.
b. Program Impacted. Refer to Exhibit BB for a list of AB 109 programs.
c. Type of Adjustment. Select "Revenue Offset - AB 109"
d. Title naming convention must include "AB 109 – [Insert Title]"
e. Board Directed Priority (if applicable)
f. Board Motion (if applicable)

eBR packages must be submitted online through the eBR system. Those departments not in the eBR system must complete the eBR form (Exhibit E) for each budget request and submit to their CEO budget analyst to facilitate data entry.

Departments are not to request new ongoing funding, one-time funding, and/or one-time carryover funding during the Recommended Budget phase. Should additional State or federal funding become available, departments may have the opportunity to submit requests for new ongoing funding, one-time funding, and/or one-time carryover funding during the Supplemental Changes budget phase.

Additionally, departments do not have authority to reallocate AB 109 funding to a different program or budget unit. All reallocation requests must go through the budget process during the Supplemental Changes budget phase for Board approval.

Other Financing Uses

WHAT TO INCLUDE

- Other Financing Uses Object Class Detail (as a part of the Departmental Detail Summary)
- Schedule of Productivity Investment Fund (PIF) Payments and Other Financing Uses
- Schedule of Operating Transfers In and Transfers Out

OTHER FINANCING USES DETAIL

Other Financing Uses generally includes operating transfers out and other financing uses. Departments are required to provide detail for Other Financing Uses at the object class level. This also includes all Special Revenue Funds and Special Districts.

The 2023-24 PIF schedule of withdrawals and payments is included as Exhibit CC. Departments are expected to budget the withdrawals (as Other Financing Sources Operating Transfers In) and the payments (as Other Financing Uses - Operating Transfers Out). This schedule is based on the Productivity Investment Board's (PIB) records as *of November 2022.* As a result, the schedule may not include 2023-24 payment amounts for other loans that are anticipated or were recently approved by the PIB. Departments are expected to work with the PIB to resolve any discrepancies that may exist, and budget an amount that is agreed to by the PIB.

In addition, for projects approved by the PIB and funded by PIF grants and/or loans, appropriation adjustments for departmental budgets can no longer be made as Action Budget Adjustments. As a result, please plan accordingly to include such adjustments during the subject budget phase.

OPERATING TRANSFERS IN AND TRANSFERS OUT

Departments must work with each other to ensure all Operating Transfers In and Transfers Out are balanced within the County budget. Please provide all of the department's Operating Transfers In and Transfers Out in Exhibit DD, which includes a sample is provided for reference.

Intrafund Transfers / Interfund Revenues

WHAT TO INCLUDE

- Schedule of Services Rendered to Other County Departments - Intrafund Transfers
- Schedule of Services Rendered to Other County Departments - Interfund Revenues

SERVICES RENDERED

As part of the budget preparation process, departments rendering services should have already submitted encumbering documents (departmental service orders or work authorizations) to receiving departments for acceptance and return. The Schedules of Services Rendered include Exhibit EE (Intrafund Transfers) and Exhibit FF (Interfund Revenues) and should be based upon agreements reflected in these encumbering documents. Departments must include current-year estimates in addition to the upcoming budget year's requested amount. CEO budget analysts will work together to ensure amounts provided are correct for each department affected. As a result, the forms will require CEO budget analysts' approval as confirmation of agreed upon amounts.

INTERDEPARTMENTAL BILLING AND ARBITRATION

Departmental service orders should be encumbered at the beginning of the fiscal year to ensure that budgeted funds are reserved for their intended purpose. The service provider should not provide services without a pre-approved encumbrance. The requester is primarily responsible with the provider's assistance, for ensuring that the appropriate amount is encumbered and adjusted as necessary during the year. For additional clarification of interdepartmental billing and arbitration policy, please contact your CEO budget analyst.

Revenue

WHAT TO INCLUDE

- Revenue Source Code Detail (as a part of the Departmental Detail Summary)
- Statement of Revenue and Other Financing
- Statement of Revenue from Various Fees

STATEMENT OF REVENUE AND OTHER FINANCING

The State Controller requires counties to incorporate details of estimated revenues in their annual budgets. Exhibit GG is provided to identify the basic information requirements for your estimated revenues.

When providing the information for "**Funding Authority**", please choose from the following:

1. Statute and the citation
2. State Department Allocation
3. Federal Department Allocation
4. State Grant
5. Federal Grant
6. Board of Supervisors and the County Code
7. Other (provide explanation under "Description of Revenue")

To minimize possible requests for additional information, departments should ensure that the information provided in Exhibit GG is as thorough and complete as possible.

SB 90 REVENUE

In order to easily identify this revenue source, departments are required to budget all SB 90 revenue under the revenue source code 8843. The estimated SB 90 revenue should be based on the 2021-22 SB 90 claim (less any programs that have been suspended or terminated) that the department plans to submit to the Auditor-Controller by November 30, 2022 that is due to the State on February 15, 2023.

NON-SPECIFIC GENERAL REVENUE SOURCE CODES

The following revenue source codes should not be used to budget more than $5.0 million:

- 8810 – State-Special Grants
- 8831 – State-Other
- 9461 – Other Charges for Services
- 9001 – Federal-Other
- 9031 – Federal Grant

If your department expects to receive more than $5.0 million in revenue to be posted to these revenue source codes, please instead work with the Auditor-Controller's Accounting Division early in the budget process to establish a more specific revenue source code for the specified revenue. This will provide more precise and qualitative reporting, streamline the auditing process, and decrease potential for issues with the State Report review.

STATEMENT OF REVENUE FROM VARIOUS FEES

To better review potential sources of revenue, all departments are required to complete Exhibit HH. Departments are to provide information for all fees and billing rates used in their operations to charge for departmental services rendered, as authorized by the Board of Supervisors, the County Code, State Statutes, or the State Constitution. These may include billing rates for contract cities, special districts, private individuals, private entities, the State and federal governments, other counties, and outside entities, for fees for permits, licenses, etc.

Departments should ensure that all revenue categories are reviewed with a particular emphasis on the revenue category of Charges for Services. Please refer to the County Fiscal Manual sections on Internal Controls over Revenue and Cost Accounting for rate calculation guidelines.

Departments should evaluate all revenue categories and take necessary action to reduce budget revenue and corresponding appropriation where a revenue deficit has been experienced for more than two budget cycles and is not reasonably achievable in the upcoming budget year. Exhibit HH – Statement of Revenue from Charges for Services and Various Fees has been updated to capture information related to this issue for better analysis and evaluation.

To complete Exhibit HH, departments should identify the revenue source code(s) for revenues from which charges and fees are collected. The level of approval needed in order to make any necessary rate adjustments should be indicated under the Governing Authority field. Also, provide the date of the last rate review and the date of last adjustment to the fees/rates.

Judgments and Damages / Insurance

Judgments and Damages/Insurance is a combination of two budget units: the Judgments and Damages (J&D) budget, which is administered by County Counsel; and the Insurance budget, which is administered by the CEO. It is the responsibility of County Counsel and the CEO to establish departmental service orders for each department.

Below are the policy guidelines for Judgments and Damages/Insurance:

1. Expenditures incurred by CEO - Risk Management related to insurance programs and liability claim costs will be billed to the Insurance budget and then expensed to departments.

2. Judgments/settlements and expenditures incurred by County Counsel associated with case preparation, defense, and prosecution such as attorney fees, expert witnesses, and other related costs will be billed to departments/districts unless costs cannot be identified to a case associated with a department/district.

   Supporting costs for programs involving third-party administrators (TPAs) are to be billed to departments/districts. The CEO will review indemnification, litigation, and administration costs for appropriateness.

3. Departments/districts will be billed all judgments/settlements, including associated litigation costs for which they are directly responsible. Costs for cases involving multiple departments will be billed based on an assessment of each department's liability (see detailed procedures below). This includes auto, general, and medical malpractice costs.

4. The majority of the Local Agency Formation Commission (LAFCO) legal costs relate to issues of County departments/districts. Therefore, LAFCO will not be billed for costs incurred on issues as a representative of the County on behalf of County departments/districts; rather the County department/district whose services are impacted will be billed.

5. Internal Services Department (ISD) will be billed for judgments/settlements and associated litigation costs on TPA administered cases for which they are responsible.

   If a case (such as a slip and fall) involves maintenance services provided by ISD, the client department will be billed unless ISD is determined to be the responsible department.

6. Judgments/settlements and associated litigation costs relating to capital projects will be evaluated on a case-by-case basis by the CEO to determine how these costs will be billed.

7. Expenditures from the J&D central reserve require CEO approval.

   The J&D central reserve has been established to pay for the following:

- All judgments/settlements for cases of a countywide nature. This includes all costs associated with defense and prosecution of a case.

  Examples: Redistricting or Search and Rescue Operations.

- Costs for special circumstance issues where the Board orders payments from the J&D budget.

CLAIMS / LAWSUITS INVOLVING MULTIPLE DEPARTMENTS

The review process established to evaluate claims and lawsuits involving multiple departments is as follows:

1. Departments will be notified as soon as their potential involvement is known (in some cases, department involvement may not be initially apparent but is later revealed through County Counsel or TPA investigation).

2. Upon notification of their involvement, departments should initiate their own review and provide relevant information and justification supporting their position regarding their share of responsibility.

3. In the initial stages of the claims handling and/or legal defense process, County Counsel, defense counsel, and the TPA will evaluate the case and provide their opinions and recommendations of each department's liability.

4. If necessary, the CEO will convene a joint meeting with the involved departments, County Counsel, defense counsel, and TPA to review the facts and circumstances of the incident and to evaluate if apportionment of responsibility should be revised based on department input.

5. In the event departments continue to disagree, the CEO or designee will make a final determination as to the settlement and cost apportionment, so that issues of funding responsibility will not delay submission of an otherwise appropriate settlement to the Claims Board and, as appropriate, to the Board of Supervisors for approval.

6. The CEO will meet, if requested, with the respective Department Head(s) to discuss the matter.

JUDGMENTS AND DAMAGES

J&D budget estimates are provided by County Counsel based on information obtained from attorneys assigned to cases/departments. The BY 2023-24 budget estimates should be available to departments in January 2023. However, if budget estimates are needed prior, departments should contact Ramona Braswell of County Counsel at (213) 808-8716, to identify any significant/potential cost changes anticipated in BY 2023-24. Judgments and damages are billed to each department based on actual costs and departments are responsible for all charges.

INSURANCE

Insurance budget estimates are provided by CEO Risk Management for commercial insurance premiums, litigation costs, and anticipated liability programs case settlements. The 2023-24 Insurance budget estimates by department are shown in Exhibit II. Departments should budget the amounts shown in the exhibit. Insurance is billed to each department on the basis of actual experience and departments are responsible for all charges.

Other Budgetary Funds

This section applies only to other budgetary funds (i.e., this includes the budgetary funds that are not a part of the departmental budget, such as special revenue funds, accumulated capital outlay (ACO) funds, etc.).

In addition to a description of the fund (sample write-up included as Exhibit JJ), departments are ***required*** to develop a budget walkthrough for Special Revenue Funds/Special Districts. A template is provided in Exhibit D. It may include as many columns as needed. Funding should be identified as ongoing or one-time. Departments should include the latest estimated actual figures that are available and update the walkthrough after each budget phase (Recommended, Final Changes, Deliberations and Supplemental).

Departments should use the Obligated Fund Balance Spending Plan (Exhibit KK) to provide detailed information needed for the budget process.

Any funding identified for equipment should be detailed out consistent with the Board action on October 16, 2001 and the Auditor-Controller's memorandum dated January 27, 1993. Please refer to the Capital Asset Section for more details.

The following forms are the minimum required to be submitted along with the budget request. Your CEO budget analyst may request additional supporting documentation as needed for appropriate analysis of your budget request.

REQUIRED FORMS FOR SUBMISSION	Exhibit
Budget Summary	See eCAPS BP instructions for appropriate report
Recommended Budget - Message Copy	C
Budget Walkthrough	D
eBR Form	E
Administrative/Program Consolidation	F-3
Information Technology Efficiencies	F-4
Legislative Changes	F-5
Information Technology Program Summary	G
Departmental Program Summary	J
Unincorporated Area Services Program Summary	K
Services Received	V
Bond and Lease Schedules	W
Capital Assets Detail	AA
Schedule of Operating Transfers In and Transfers Out	DD
Services Rendered – Intrafund Transfers	EE
Services Rendered – Interfund Revenues	FF
Statement of Revenue and Other Financing	GG
Statement of Revenue from Charges for Services and Fees	HH
Budget Write-up for Other Budgetary Funds	JJ
Obligated Fund Balance Spending Plan	KK

Office Space

Since the acquisition of new space can take more than nine months, it is important that planning begin early for significant new programs or staffing that cannot be accommodated within existing facilities. To assist in the timely planning for the lease and/or other acquisition of office space, departments should initiate the process at the time the budget request is submitted. The Space Request Evaluation Form to be used by departments when requesting new space, expansions of space, or renewals of space leases may be requested from Jeff Chua with CEO Real Estate and should be submitted no later than mid-April for programs to begin mid-year.

Departments should fully consider office space needs by incorporating methods of optimizing existing space, such as teleworking, hoteling, and alternate work locations. When evaluating program changes, departments should alert their CEO budget analyst if additional office space or changes in office space will be required. Departments should be prepared to describe what locations may be affected by the change and, if applicable, how new staff would be accommodated into existing space, or whether your department will be requesting additional space if the program change is approved by the Board in the Adopted Budget. If your department plans to request additional space, the Space Request Evaluation Form should be completed and submitted to Jeff Chua so that space planning and acquisition can proceed in a timely manner. Please contact him at (213) 974-4362 if you need assistance in any space planning effort.

Capital Projects/Refurbishments

Overview

The Capital Projects/Refurbishments Budget reflects specific annual appropriations for the County's capital improvement and refurbishment projects. Under the County's capital construction/refurbishment program:

- General Fund (GF) projects are budgeted in the centralized Capital Projects/Refurbishments Budget;

- Capital Project Special Fund (CPSF) projects are appropriated in special fund budget units (e.g., Del Valle ACO Fund); and

- Special Districts (SD) projects are appropriated in special district budget units.

Appropriation within the BY 2023-24 Capital Projects/Refurbishments Budget will reflect projects that have been previously funded and approved by the Board and have yet to be completed, as well as new projects that meet the programmatic and funding criteria specified in these instructions.

Definitions

- **Capital Project** is defined as: 1) acquisition or construction of a new structure or improvement, infrastructure improvement, or the addition of square footage to an existing structure, with a total project cost in excess of $100,000; or 2) the acquisition of land, regardless of cost. Such costs are to be budgeted in the Capital Projects/Refurbishments Budget.

- **Refurbishment Project** is defined as a renovation of existing space meeting the following requirements: **1) total project costs are in excess of $100,000; and 2) enhances aesthetic quality, operational capacity or efficiency, or staff productivity.** Examples can include the acquisition and installation of modular furniture, telecommunication and data transmission systems, and upgrades to plumbing, electrical, heating, ventilation, and air-conditioning or other building systems. **Such costs are to be budgeted in the Capital Projects/Refurbishments Budget**.

- **Maintenance and Repairs** are defined as projects and/or activities that are necessary to maintain the physical integrity and operating efficiency of a building. Examples can include re-roofing, repainting, parking lot resurfacing, minor building system repairs, and routine maintenance activities. Such activities are not considered Capital Projects/Refurbishments even if the cost exceeds $100,000 and are to be budgeted in departmental budgets as Services and Supplies.

- **Infrastructure Improvements** that are not defined as Capital Projects/Refurbishments include, but are not limited to:

  - Public roads (but excluding private roads),
  - Bridge construction and maintenance,
  - Sewers (*excluding new sewer connections or septic systems*),
  - Flood control channels, etc.

2023-24 DEPARTMENTAL CAPITAL PROJECTS/REFURBISHMENTS REQUESTS

The 2023-24 Recommended Capital Projects/Refurbishments Budget will be submitted to the CEO via direct input to the Budget Prep system by departments unless instructed otherwise by CEO Capital Programs. Departments will be required to enter their capital project budget requests into Budget Prep and provide back-up documentation outlined in these instructions to the CEO Capital Programs Division.

It is important to note that the inclusion of appropriation and funding in the Capital Projects/Refurbishments Budget for a proposed project does not constitute formal approval of the project itself. The CEO's current policy requires approval of a proposed project's program, scope, and estimated cost by the Board before a project can proceed and appropriation in the Capital Projects/Refurbishments Budget can be expended.

PROCEDURES FOR CAPITAL PROJECTS/REFURBISHMENTS BUDGET REQUESTS

Departments should work with their assigned CEO Capital Programs analyst prior to the submission of their annual Capital Projects/Refurbishments budget requests to verify the required appropriation levels on existing projects, determine the feasibility and appropriateness of newly requested project appropriations, and to seek project approval from the Board of Supervisors. Please refer to the directory for a listing of CEO Capital Programs analysts and their assigned departments.

The following instructions contain the policies, definitions, and procedures for the completion and submittal of departmental budget requests for the 2023-24 Recommended Capital Projects/Refurbishments Budget. A request may contain one or more of the following components:

1. 2023-24 Budget Prep Excel Workbook (Exhibit LL) containing BP input sheet(s)
2. New Capital Project Request Form (optional) (Exhibit MM) see description below
3. Capital Programs eBR form (Exhibit NN) see description below
4. Unfunded needs list (optional) (Exhibit OO) see description below

Departmental requests for funding in the 2023-24 Capital Projects/Refurbishments Budget should reflect the appropriation necessary to fund:

1. Development, design, construction, and delivery activities on *existing* projects in 2022-23; and

2. New proposed projects.

Projects that have been previously approved by the Board of Supervisors and those that are determined to be appropriate, feasible and sufficiently funded will be included in the CEO's budget recommendations as "Funded" projects.

To be included in the 2023-24 Capital Projects/Refurbishments Budget, departments must input budget requests into the Budget Prep system and submit completed capital project back-up documentation pursuant to the following instructions.

It is recommended that departments formulate their budget requests and complete the detailed project by project worksheet(s) prior to input into the Budget Prep system. The spreadsheets are designed to assist departments with their Budget Prep system input.

Workbooks: Details of the Capital Projects/Refurbishments budget requests must be submitted in an Excel workbook(s) (Exhibit LL), using the attached Excel worksheet as an example. Use one worksheet for each project. Information from the 2022-23 Final Adopted Budget is also included (Exhibit PP) to assist in filling out the worksheet(s). Submit separate workbooks for each department, special revenue fund, or special district. Alternatively, if you have a large number of Capital Projects/Refurbishments worksheets to submit, please contact your CEO Capital Programs analyst to discuss alternate ways of filling out the worksheets.

Submittal: The capital project worksheet(s), budget request summary, and any other information specified below must be submitted to the department's CEO Capital Programs analyst in conjunction with the department's operating budget request submission. An electronic file, along with hard copies of the worksheet(s) are required as part of the department's submittal. The department's submittal should clearly identify the name and telephone number of the departmental contact person who can answer questions regarding the department's submittal.

Please feel free to make any informational notes you deem necessary for clarity on the hard copy of the spreadsheet.

Format Changes: Do not change any column headings, formulas, or the number/name of an existing project unless instructed by your CEO Capital Programs analyst. The worksheets are designed to help departments formulate their budget requests prior to input into the Budget Prep system.

Required Entries: Departments are required to prepare worksheets for *each* project. A worksheet template and sample will be provided for departmental use. Enter the following information on the template: Capital Project Number, 2022-23 Final Adopted Budget by Object Class, 2022-23 Adjusted Budget (as of 5th Month) by Object Class, 2022-23 Estimated Expenditures and revenue, and any changes or adjustments to appropriation that modifies the true carryover of uncommitted appropriation. Capital project revenue account codes (Exhibit QQ) and fund codes (Exhibit RR) are attached.

Rounding: Round all budgetary figures, including estimated actual expenditures and revenue, to the nearest thousand.

Changing Existing Project Names: Do not change the name of an existing project on the capital project files. If there is a compelling reason to change a project name, please indicate the requested name change **in red** on the hard copy of your completed worksheet and mark it "Name Change." The change will be made for your department centrally if there are no project expenditures.

Establishing New Projects: Departments should contact their CEO Capital Programs analyst for assistance with establishing new projects.

Project Unit Numbers: A five-digit unit number is provided for all projects already budgeted in the eCAPS system.

Adding Rows: You may add rows as necessary to enter additional projects or revenue sources. Make sure new entries start in the appropriate columns by following the existing format.

Changing Formulas: When adding new projects, be sure to adjust the formulas to include the new requests, revenue, and the total for the project cost summary. Adjust the formulas that provide the total costs and total revenue for all subprojects within each project and those that total the entire request and revenue at the end of the spreadsheet. Be sure to copy any adjusted formulas across all columns.

Revenue from Interest Earnings: Pursuant to Auditor-Controller guidelines, interest earnings used to offset capital expenditures can be allocated only to a single organization code within each fund. Therefore, anticipated interest earnings revenue must be reflected in a single capital project or refurbishment within a spreadsheet. The Auditor-Controller will be informed of your designation.

Special District and Special Fund Projects: For special district and special fund projects, be sure that the amounts for fund balance and interest earnings allocated to Capital Projects properly balance with the total reflected in your Budget Summary.

Appropriation Classification

Appropriation and expenditures for Capital Projects/Refurbishments are controlled by object category and object class codes within each project under eCAPS. Departments are requested to provide detail, by object class code, for 2022-23 carryover appropriation for existing projects. These object class codes are: 60B-Land, 60C-Buildings & Improvements, 60F-Development, 60G-Plans & Specifications, 60H-Consultant Services, 60J-Jurisdictional Review, and 60K-County Services. See Exhibit SS for a listing of eCAPS Capital Project Object Category/Object Class Codes and descriptions. Departments should contact their CEO Capital Programs analyst for further details.

Equipment or fixtures that are an **integral part of the structure and installed as part of the construction** should be included in the project budget under object category 6014 Capital Assets - Buildings and Improvements. All other equipment and furnishings should be budgeted within the departmental or special fund operating budget under object category 6030 Capital Assets-Equipment, *separate from the capital project*.

Budgeting under project titles such as "Various Facilities" is not advised. Project expenditures are accounted for on the basis of project and location and cannot be processed against a "various" designation. As a result, a Board-approved budget adjustment (BA) will be required to move appropriation and revenue from "various" to a specific capital project or refurbishment prior to the encumbrance and expenditure of project funds.

Departments that do not have approved Capital Projects in 2022-23 may request project funding in 2023-24 by contacting their CEO Capital Programs analyst and providing the requested information as described below.

Funding Requests for New Capital Projects

Departments should review the project development guidelines contained in the Capital Projects Development Process (Process) prior to submitting funding requests for new capital or refurbishment proposals and ensure that projects meet the criteria identified in the Process. Pursuant to the Process, a new project must be determined to be “feasible” in order for the CEO to recommend that the Board authorize the project to proceed.

Such a determination will be based upon:

- Complexity and nature of the project;
- Sufficiency and viability of revenues to fund the project fully *and support its ongoing operation and maintenance*;
- Appropriateness of the project and its compatibility with the department’s mission and operation;
- Determination that a capital project or refurbishment is the most cost-effective method of meeting the defined need;

- Feasibility of completing the project within the proposed project budget and available resources; and

- Impact of operating costs attributable to the completed project on the department's operating budget.

To initiate this analysis, departments must complete a "New Capital Project Request Form" (Exhibit MM) for each requested project. This form requires departments to identify, describe and provide a thorough justification for each newly requested project. Justification statements must clearly describe the reason(s) why the requested project is necessary. Such reasons may entail life-safety-hazard issues, potential liabilities to the County, and/or responses to State, federal or court-ordered mandates.

Departments must also identify anticipated increases in operating costs associated with the requested project and specify the source and amount of funding available for design, construction, and ongoing operation of the requested project. *Departments are also responsible for identifying any and all related equipment costs and relocation costs and non-fixed equipment costs related to the capital project outlay.*

It is essential that departments discuss any new projects with their CEO Capital Programs analyst prior to inputting into the Budget Prep system as new project codes/accounts must first be created in the Budget Prep system.

Capital Projects eBR Form

Departments should communicate any funding requests for existing or new Capital Projects/Refurbishments with their CEO Capital Programs analyst, and must create packages for each budget change/request in eBR. When creating a new Capital Projects eBR budget request, please select the organization number that begins with a "6" followed by "CP," and your department's name. Instructions on how to fill out the Capital Projects eBR Form is included in Exhibit NN.

Unfunded Projects

Projects that lack sufficient justification or are determined not feasible will be classified as "unfunded" projects and will not be recommended for funding in the 2023-24 Recommended Capital Projects/Refurbishments Budget.

Departments may submit unfunded project requests as part of their official 2023-24 Recommended Budget by filling out Exhibit OO.

It is requested that "unfunded" projects be prioritized to reflect the importance of each project relative to the department's overall capital needs. Priority will be given to projects that are required to satisfy a statutory mandate, address a public-safety issue, or accommodate a high-priority programmatic activity that has been approved by the Board. To initiate this prioritization process, it is requested that departments indicate the priority of newly requested projects that lack sufficient funding. This will be accomplished by inputting a priority number in the "Priority" column of the spreadsheet file. Priority numbers should be assigned based on the priority of the unfunded project to the department as a whole.

Capital Projects Due Date

Input into Budget Prep and copies of capital project back-up documentation must be completed/submitted to the department's CEO Capital Programs analyst no later than with the department's submittal of its operating budget request for the 2023-24 budget.

Technical Questions

If you have any technical questions or problems regarding the capital project files or the Excel spreadsheet(s), please contact your CEO Capital Programs analyst.

Deferred Maintenance

Overview

The Extraordinary Maintenance Budget includes appropriation allocated for Deferred Maintenance and Extraordinary Maintenance Projects. Requests for funding Deferred Maintenance Projects will be evaluated and compared with the scopes and priorities of Deferred Maintenance projects that have been developed in the Strategic Asset Management (SAM) database[1] to validate that requests address the County's most critical needs. To prevent interruption of the delivery of the most critical public services, the criteria for the project prioritization considers the nature of the deficiencies and programs and functions the facility supports. In addition, the analysis of funding requests will include a review of the department's budget status reports to determine the department's ability or inability to fund the proposed deferred maintenance funding request(s).

Definitions

Deferred Maintenance is defined as delayed or deferred repairs or maintenance that are required to address failures in building systems or deterioration in a structure's physical integrity that cannot be mitigated by departments through regular routine maintenance activities. Deferred Maintenance Projects are further characterized by the replacement of building systems and/or structural components, such as roofs that have failed or reached the end of their useful life.

They generally do not entail an improvement, enhancement, or expansion of a building footprint or aesthetic quality.

Extraordinary Maintenance is defined as emergency repairs or replacement projects for major equipment and building system failures preventing delivery of critical County programs and operations. Funding for these projects might, or might not, have been previously requested or recommended, but the equipment or building system has since failed and needs to be repaired or replaced immediately to deliver critical services and/or to continue operations.

Routine Maintenance and Repair is defined as projects and/or activities that are necessary to maintain the physical integrity and operating efficiency of a building. Examples can include re-roofing, repainting, parking lot resurfacing that does not require design/engineering and grading, minor building system repairs, and routine maintenance activities. Such activities are not considered Capital Projects/Refurbishments even if the cost exceeds $100,000 and are to be budgeted in departmental operating budgets as Services and Supplies.

For CEO Capital Programs budgeting purposes, **Deferred Maintenance Projects** are those that have been approved for funding as part of the annual Budget Cycles or Countywide mid-year budget adjustments, and **Extraordinary Maintenance Projects** are emergency repairs or replacements of failed equipment or building systems that are funded out of the "Emergent Needs" allocation in the Extraordinary Maintenance Budget.

[1] To request access to the SAM database, contact your respective CEO Capital Programs Analyst.

2023-24 DEPARTMENTAL DEFERRED MAINTENANCE REQUESTS

It is important to note that requests for funding Deferred Maintenance projects will only be considered if the deficiencies and projects costs have been documented in the SAM database or have been evaluated, ranked and the scope of work and cost estimates have been verified or reviewed by the Internal Services Department or the Department of Public Works.

As part of the 2023-24 Recommended Capital Projects/Refurbishments Budget, eBR requests for funding Deferred Maintenance projects will be accepted and prioritized according to rank and will be considered when Deferred Maintenance funding has been allocated. In lieu of waiting for deferred maintenance projects to be funded centrally by the CEO based on its countywide priority order, departments will also have the option to request the use of operating budget savings to fund deferred maintenance projects. Upon confirmation of available funds, the CEO will consider recommending approval of the project and funding.

The requests will be submitted to the CEO via the Capital Programs eBR forms with back-up documentation (described in the procedures section below) to the CEO Capital Programs Division.

PROCEDURES FOR DEFERRED MAINTENANCE PROJECT REQUESTS

Departments should work with their assigned CEO Capital Programs analyst prior to the submission of their deferred maintenance funding requests to verify the feasibility and appropriateness of newly requested project appropriations. Please refer to the directory for a listing of CEO Capital Programs analysts and their assigned departments.

The completion and submittal of departmental deferred maintenance funding requests for the 2023-24 Recommended Capital Projects/Refurbishments Budget should contain the following components:

1. Capital Programs eBR package (Instructions in Exhibit NN)
2. Valid Cost Estimates from Internal Services or Public Works Departments

Please electronically attach your cost estimate to the eBR package.

Departmental requests for funding deferred maintenance projects in the 2023-24 Capital Projects/Refurbishments Budget should reflect the appropriation necessary to fund design, construction, and delivery activities of the project. *Move management costs will <u>not</u> be considered part of the funding request and should be accounted for in Services and Supplies.*